



Equitable Transit-Oriented Development in Baltimore

Enterprise Community Partners' Review of Equitable Transit-Oriented Development Opportunities in Baltimore

Prepared for the Annie E. Casey Foundation

Enterprise

Enterprise works with partners nationwide to build opportunity. We create and advocate for affordable homes in thriving communities linked to jobs, good schools, health care and transportation. We lend funds, finance development and manage and build affordable housing, while shaping new strategies, solutions and policy. Over more than 30 years, Enterprise has created 300,000 homes, invested nearly \$14 billion and touched millions of lives. Join us at www.EnterpriseCommunity.com or www.EnterpriseCommunity.org.

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Enterprise intends for this work to be an on-going process as we approach our goals and objectives. For questions regarding this paper, please contact Jessica Sorrell, Program Director at jsorrell@enterprisecommunity.org, or 202.649.3923.

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Executive Summary

New commitments for transit investment in Baltimore – primarily the City but also surrounding County suburbs – have presented an opportunity for the region to increase the supply of high-quality affordable housing in transit-rich neighborhoods. Termed equitable transit-oriented development (ETOD), this blend of transit accessible and affordable housing not only reduces residents' costs of living but also improves access to jobs, facilitates regional economic growth, and reduces environmental impact. Enterprise is playing various roles in markets across the country promoting and quarterbacking ETOD. We serve as a facilitator and active participant in transit-oriented development (TOD) collaborations, we are investing and managing ETOD Funds, and we are advocating for new resources and policies at the state and local level. Enterprise is committed in the Mid-Atlantic market, including the Baltimore region, to use our time and resources to advance ETOD thoughtfully and collaboratively to see that more low- and moderate-income residents have access to transit and opportunity rich neighborhoods.

As a result of the State of Maryland's recent gas-tax increase, the State committed \$689 million to right-of-way acquisition for and construction of the Red Line, a 14.1-mile light rail project that will link inner-ring federal office properties west of Baltimore City and Johns Hopkins University's Bayview Campus in East Baltimore, passing under Downtown's vibrant Inner Harbor commercial district and through several of the city's distinctive neighborhoods. Advocates expect that this transit project and others will spur re-investment and economic development in both deeply-neglected, distressed neighborhoods and stable, growing neighborhoods; however, many question whether it will considerably improve the region's ineffective multi-modal network to the point where it would attract substantial re-investment.

Through over fifteen interviews with practitioners in housing, transportation, planning, education, finance, and philanthropy, Enterprise gathered on-the-ground feedback from those working to create affordable housing and/or TOD in Baltimore. Many interviewees commented that Baltimore benefits from a concerted public- and private-sector effort to improve its several blighted neighborhoods: the State's Sustainable Communities program targets public investment; the regional Opportunity Collaborative is crafting a regional plan for sustainable development; Baltimore City's successful Vacants to Value program reduces developers' acquisition costs and expedites the demolition and redevelopment of vacant row homes; and developers leverage these programs to attract investment in emerging TOD neighborhoods, like those near Penn Station.

As expected, most of the affordable-housing developers whom Enterprise interviewed expressed a regular need for low-income housing tax credit (LIHTC) financing, which provides tax relief to investors who contribute equity to affordable-housing projects, thereby reducing the project's debt and allowing it to recover less revenue (i.e., rent). In addition to tax credits, developers look for gap financing (grants and low-cost debt) from federal, state and local housing departments (i.e. Baltimore Housing), federal and non-profit intermediaries. As expected, affordable-housing developers commonly utilize numerous sources of capital on one project. For example, developers noted securing acquisition and permanent financing from:

- Federal resources which are administered locally, including the HOME program, Neighborhood Stabilization Program 2 (NSP2), Community Development Block Grant, and Housing Choice (Section 8) programs;
- State sources from the Maryland Department of Housing and Community Development; and
- Large financial institutions, like Bank of America, PNC Bank, and Capital One.

Comprised of a single subway line, a light-rail corridor, and numerous bus routes, we also heard repeatedly that the region's existing transit system fails to attract new investment in transit-rich neighborhoods outside of Downtown Baltimore. The region continues to struggle with mortgage foreclosures and a staggering residential vacancy rate in Baltimore City.

In 2011, various community leaders and the Baltimore Metropolitan Council responded to this inattention, securing a federal Sustainable Communities Initiative planning grant and, in so doing, launching the Opportunity Collaborative, a consortium of 25 public and non-profit entities across the region that will assess the region's needs and create a Regional Plan for Sustainable Development (RPSD) reflecting strategic recommendations for housing, transportation and workforce investments over the next 25 years. Concurrently, the City has increased funding for its popular Vacants to Value program, sustaining investment momentum in emerging City neighborhoods.

The region's transit network has not driven substantial TOD investment – much less ETOD investment – throughout Baltimore as better connected transit systems have catalyzed new development in other regions. Where new development has occurred in select transit-rich areas – Downtown, Owings Mills and Central Baltimore near Penn Station – these projects often lack provisions on affordability to low- and moderate-income households. If this trend continues, the region risks displacing low-income residents who most rely on public transportation from existing or planned transit-rich neighborhoods or creating new housing on undeveloped land near planned transit stations solely for higher-end, market rate renters, missing an opportunity for mixed-income housing solutions.

Enterprise is uniquely positioned to collaborate with existing and new partners alike to envision and realize gains in transit-oriented affordable housing over the next decade. To this end, Enterprise will shape in 2014 an ETOD strategy as outlined below:

- Enterprise is a consortium member of the Opportunity Collaborative, serving on the housing committee, and we expect to actively participate in 2014 and beyond.
 - Enterprise will share our stakeholder interview findings and housing stock analysis to the Opportunity Collaborative teams implementing the Regional Housing Plan and RPSD in 2014.
 - Enterprise will assist in garnering feedback and recommendations from high-capacity affordable-housing development partners on the Regional Housing Plan.
- Enterprise will join the Central Maryland Transportation Alliance's (CMTA) TOD steering committee, in part to promote cross-sector advocacy and research around shared objectives of

creating communities of opportunity with access to quality transit options and a range of housing choices.

- CMTA's 2009 TOD Typology report recommended an Affordable Housing and Mixed-Income TOD Strategy for the Red Line (eastern side). The analysis and recommendations laid out in this report are a great start to such a strategy along the entire corridor. In 2014, Enterprise will assist CMTA in meeting this objective by identifying potential resources and partners (internally and externally) in developing this strategy.
- In 2014, Enterprise will continue to provide technical assistance and financing to non- and for-profit developers and will dedicate at least one \$25,000 capacity-building grant to a community development corporation (CDC) or community housing development organization (CHDO) in Baltimore to advance an ETOD pilot project. Moreover, Enterprise will encourage partner organizations to apply for competitive HUD funding in future funding cycles
- In 2014, Enterprise will work with relevant partners in 2014 to refine and "make the case" for a comprehensive, corridor-wide affordable-housing strategy along the planned Red Line in Baltimore and Purple Line in the Washington, D.C., metropolitan region.
 - Enterprise is an active member of the recently formed, Purple Line Corridor Coalition (PLCC), led by the National Center for Smart Growth at the University of Maryland.
 - As mentioned above, through analysis in this report, Enterprise has already begun to quantify low- and moderate-income households that these planned corridors will impact.
- While Enterprise does not presently see a need for a dedicated ETOD fund for affordable-housing acquisition in Baltimore City, we will continue to monitor and "make the case" in 2014 for additional acquisition resources, as well as pre-development and gap financing.

Recognizing that an initial impetus for this project was the Annie E. Casey Foundation's (AECF) desire for Enterprise to explore the creation of a TOD Fund for Baltimore City, it's worth noting that there are three primary reasons why we're not recommending the creation of a dedicated TOD Acquisition Fund at this time:

1. The developers we interviewed consistently stated that they're able to access the acquisition funding they need through Baltimore Housing, the Baltimore Integration Partnership and traditional financial institutions. In a few instances they noted a need for small, very patient capital for site assembly, but this need does not appear to be at the scale that would warrant creation of a specialized acquisition fund. On the other hand, developers mentioned the need for:
 - Predevelopment funding (particularly to explore potential use of TIF financing),
 - Assistance in complex, land assemblage (likely in conjunction with the public sector through land disposition or use of eminent domain),
 - Gap financing,

- And financing to support mixed-income housing.
2. There are numerous existing resources – both funding and policies - that appear to have potential to be aligned much more intentionally to create the right environment that would allow Enterprise and its partners to better see the financing gaps for equitable TOD, and then address those gaps. We do not yet fully understand why these resources haven't been aligned and how challenging it will be to align them, but we're committed to advancing that process during 2014. We need to spend more time getting the leaders of these varying efforts together, connecting them more to the development community, then identifying the financing gaps.
 3. Last, our geography of focus is more refined but as yet unspecified. Following meetings with State and City officials and developers in December 2013, Enterprise wishes to study market conditions in approximately four station areas with varying market conditions and where we heard the most regarding redevelopment potential. While these areas may likely lie along the proposed Red Line, we appreciate the value of focusing on transit-rich neighborhoods beyond the Red Line already targeted for investment by the State's sustainable communities program where affordable-housing preservation or production would be more of a priority. A key question to consider further as we build relationships and better understand gaps is how needs vary depending upon the scale and type of geography. We look forward to engaging these stakeholders to identify them and to determine the scope of market analysis.
 4. We would also like to work with partners to access ETOD financing barriers in the Greater Baltimore Region. The majority of our stakeholder interviews focused on Baltimore City and we expect surrounding counties to have different opportunities and challenges.

With these thoughts in mind, Enterprise will engage quarterly with partners in 2014 to determine whether a stronger case emerges for an ETOD fund and the potential for Enterprise to play a financial or programmatic role in its delivery.

Introduction

With generous support from the Annie E. Casey Foundation (AECF), in 2013 Enterprise Community Partners (Enterprise) explored the role we will play in advancing equitable transit-oriented development (ETOD) in Baltimore City and county and explore the structuring of a Red Line TOD Acquisition Fund mirroring other TOD Funds across the country. We conducted this work by: meeting with key stakeholders; analyzing the existing affordable-housing stock; identifying opportunities and challenges to creating and preserving affordable housing along the future Baltimore Red Line and at existing MTA stations (MARC, Metro subway and light rail) within Baltimore City and Baltimore County; and drafting recommendations and next steps for our ETOD work plan going forward.

Enterprise specializes in affordable-housing policy, financing, and programmatic initiatives. Over the last five years, Enterprise has collaboratively led ETOD initiatives in Washington, D.C., Denver, Atlanta, Seattle, Los Angeles, Chicago, and the Bay Area. This regional work has led to a national TOD Initiative, supporting and coordinating work in the markets while advancing a national framework of public and private engagement in ETOD. In January 2013, Enterprise's Baltimore Market office merged with the Washington, D.C. regional office to form the Mid-Atlantic Market office. This merger, and generous support from AECF, provided an opportunity to revisit and reframe our ETOD programmatic agenda in the Baltimore region.

Enterprise's Mid-Atlantic market office advocates for and finances affordable housing across Northern Virginia, D.C. and Maryland through four programmatic focus areas, including:

- **Preservation:** Preserving affordable housing for low and moderate income families, with a particular emphasis on housing within a half-mile of rail stations and in transit-rich neighborhoods.
- **Production:** Supporting the production of new affordable housing and community facilities, primarily through our Faith-Based Development Initiative by assisting houses of worship develop their underutilized real estate.
- **Education:** Advancing work that strengthens the educational environment and academic support for schools and families to enhance children's opportunities for success.
- **Green:** Committing to making affordable housing in the mid-Atlantic area healthier, more energy efficient and better for the environment through our national Enterprise Green Communities platform.

Nationally and locally, Enterprise has prioritized preserving and producing quality, affordable housing in transit-rich neighborhoods. Notably in Greater Washington, Enterprise has directed the Green Preservation of Affordable Transit-Oriented Housing (GreenPATH) Initiative since 2008. Working with the National Housing Trust, Enterprise has set a goal to preserve 1,000 affordable homes within one half-mile of existing or planned rail stations and raise the necessary flexible capital to leverage existing resources to accomplish that goal. To date, Enterprise has supported the preservation of 172 affordable-housing units and secured over \$19 million in capital resources, including over \$300,000 from local foundations and financial institutions to reduce the interest rate and closing costs on acquisition loans

and \$2.8 million in grant funds to match 1-to-1 and blend with existing loan fund capital to provide more competitive acquisition and pre-development loans.

To date, Enterprise has identified stakeholders in housing, transportation, planning, education, finance, and philanthropy and has interviewed many of them to better understand the challenges and opportunities for strategically producing or preserving and upgrading transit-oriented affordable housing in Baltimore. Interviewees represented non- and for-profit developers; national, regional, and local planning institutions; state and local government; community development financial institutions (CDFIs) already serving the Baltimore City; and internal Enterprise staff. (For a complete list of interviewees, see page 54.)

The report includes this introduction, key definitions we will use throughout the report, analysis, and recommendations. As introduction, the report discusses Enterprise's history of involvement in Baltimore and reviews the state of the region as we see it today. Next, the report details the interview and research processes and analyzes the region's strengths, weaknesses, opportunities, and threats relative to equitable transit-oriented development. Finally, the report recommends next steps for Enterprise to advance ETOD in Baltimore, including next steps in exploring the feasibility of a new dedicated Fund.

Key Definitions

The following definitions provide context for terminology used throughout the study.

Affordable Housing – housing that costs no more than 30 percent of a household's income within these ranges and Area Medium Income (AMI) levels¹: (The study refers to "Affordable Housing" as affordable to households at all incomes mentioned above, unless it specifically states otherwise.)

- Moderate Income (also referred to as Workforce Housing) – up to \$72,000 for one person or \$102,720 for four (at or below 120 percent of AMI);
- Low-income – up to \$45,100 for one person or \$64,400 for four (at or below 80 percent of AMI);
- Very low-income – up to \$30,000 for one or \$42,800 for four (at or below 50 percent AMI);
- Extremely low-income – up to \$18,000 for one or \$25,700 for four (at or below 30 percent of AMI);

Affordable-Housing Developers - Nonprofit or for-profit real estate developers focused on preserving and producing affordable housing serving low- and moderate income households. For the purpose of this analysis we considered two categories of developers:

- **Small-capacity Affordable-Housing Developers** – undertake developments of approximately 100 units or less, typically requiring a development partner, and normally focused on a particular neighborhood or submarket.

¹ FY2013 Income Limits Documentation System. *US Dept. of Housing and Urban Development*.

- **Large Capacity Affordable-Housing Developers** – ability to undertake developments of 100 units or more, potentially with multiple stages, do not require a development partners, and potentially working across multiple markets and regions.

Equitable Transit-Oriented Development (or ETOD) – prioritizes investments in the production and preservation of homes for households at all income levels, protects the social fabric of neighborhoods, and allows residents to walk, bike, and take transit to education opportunities, jobs, shops, and services.

H+T (Housing +Transportation) – the combined costs of housing and transportation. Transportation is the second largest expense after housing for the average American household. Although housing located far from major urban centers might seem more affordable at first glance (the “drive until you qualify” concept), it may be less affordable than housing offering transportation choices, once the cost of commuting is factored in.

Household Area Medium Income (AMI) – median income in the “Baltimore-Towson, MD HUD Metro Fair Market Rent Area,” which includes Anne Arundel County, Baltimore County, Carroll County, Harford County, Howard County, Queen Anne's County, and Baltimore City. In 2012, the latest year for which data is available, the region’s household AMI was \$66,970.

Housing Market Typology Types (per Baltimore City in 2011)²

Baltimore City Housing Market Typology (categories described below) was jointly developed by the Baltimore City Planning Department, the Department of Housing and Community Development (HCD), and The Reinvestment Fund.

- **Regional Choice** – competitive housing markets with comparably high owner-occupancy rates and property values. Foreclosure, vacancy and abandonment rates are low, and substantial market interventions are not necessary in the Regional Choice category. Basic municipal services such as street maintenance are essential to maintaining these markets.
- **Middle Market Choice** – housing prices above the city’s average with strong ownership rates, and low vacancies. However, these neighborhoods show slightly increased foreclosure rates. Modest incentives and strong neighborhood marketing should be used to keep these communities healthy, with the potential for growth
- **Middle Market** – median sale values of \$91,000 (above the City’s average of \$65,000) as well as high homeownership rates. These markets experienced higher foreclosure rates when compared to more competitive markets, with slight population loss. Neighborhood stabilization and aggressive marketing of vacant houses should be considered in this category. Diligent housing code enforcement is also essential to maintain the existing housing stock.
- **Middle Market Stressed** – slightly lower home sale values than the City’s average, and have not shown significant sale price appreciation. Vacancies and foreclosure rates are high, and the rate of population loss has increased in this market type, according to the 2010 Census data. Based on these market conditions, intervention strategies should support homeowners who may be facing economic hardships due to adverse changes in the national economy.

² Housing Market Typology. *City of Baltimore*.

- Distressed – significant deterioration of the housing stock. This market category contains the highest vacancy rates and the lowest homeownership rates, compared to the other market types. Neighborhoods in this category have also experienced the most substantial population losses in the City during the past decade. Comprehensive housing market inventions should be targeted in this market category, including site assembly, tax increment financing, and concentrated demolitions to create potential for greater public safety and new green amenities.

Mixed-Income Housing – offers housing for a population at different income levels. These projects fall within two main categories:

- Deed-restricted projects with 20 percent or more of the units affordable to households at or below 60 percent AMI. These projects are eligible for public subsidies such as Low Income Housing Tax Credits (LIHTC), tax-exempt bond financing, and loans from the community development divisions of banks as they qualify for Community Reinvestment Act (CRA) credits³. The most common scenarios that qualify for tax-exempt bond financing are “80/20” transactions (at least 20 percent of the units are at or below 50 percent AMI) and “60/40” transactions (at least 40 percent at 60 percent AMI).
- Market rate projects that set aside 5 percent to 15 percent of the units for affordable housing, per inclusionary housing requirements or benefits agreements. Baltimore City’s inclusionary housing ordinance requires developers to set aside 10 percent to 20 percent of total units, based on public financial support and requires the City to reimburse developers for those units.⁴ Baltimore County does not have an inclusionary housing law.⁵

Mixed-Use Development – blends a combination of residential, commercial, and/or cultural uses, where functions are physically integrated.

Public-Private Partnership (P3) – collaboration in which the State selects a concessionaire to design, construct, operate and maintain a project, while the concessionaire helps to finance a portion of the project’s construction. As the concessionaire is responsible for the project’s operation and maintenance, it has greater incentive to build, operate, and maintain the project in its long-term interests.

Transit-Oriented Development (TOD) – an area within walking distance of transit (defined as ½-mile radius of a transit station or a ¼-mile of frequent bus line) that offers a mix of housing, services, and community amenities accessible to transit riders and community members. Examples include housing, parks, daycare services, hospitals, retail and restaurants. TODs are bikeable and walkable communities that allow for easy access and integration with the transit system.

³ The Community Reinvestment Act of 1977 (CRA) affirmed the obligation of federally insured depository institutions to help meet the credit needs of communities in which they are chartered, mostly through lending or investing, in particular via community development loans. The results of the CRA examination are considered when a financial institution applies to open a branch, merge with another institution, or become a Financial Holding Company.

⁴ Michael Pokorny, Inclusionary Housing Program Manager, City of Baltimore Dept. of Housing and Community Development.

⁵ Michael Pokorny, Inclusionary Housing Program Manager, City of Baltimore Dept. of Housing and Community Development.

History of Enterprise's Involvement in Baltimore City and County

Enterprise has a rich history in Baltimore. Known as the Enterprise Foundation at its inception in the 1980s, our work began in collaboration with Baltimore City government to produce valuable community development tools: a training curriculum to improve production, management, and operational capacity of community development corporations (CDCs); and discussions about sustainable community development in Baltimore's neighborhoods.

Enterprise has led a robust education initiative in the Baltimore City for over 15 years, advancing work that strengthens the educational environment and academic support for schools and families to enhance children's opportunities for success. More specifically, Enterprise has been:

- Supporting Jubilee Baltimore's HUD Choice Neighborhoods planning initiative. Enterprise's work included developing an educational intervention plan to support students at Eutaw-Marshburn Elementary and Booker T. Washington Middle Schools.
- Managing the Home Instruction for Parents of Preschool Youngsters (HIPPY) program, a family literacy program in Baltimore City that helps parents prepare their three-, four- and five-year-old children to arrive at school ready to learn. This program is based at Arlington Elementary/Middle School and serves 100 students from the Sandtown and Park Heights communities.

Enterprise has been committed to making affordable housing in Baltimore healthier, more energy efficient and better for the environment through [Enterprise Green Communities](#). More specifically:

- From 2009 to 2011, the Green Row Home Challenge in Baltimore focused on the most cost-effective ways to incorporate environmentally sustainable materials in the rehab of homes to safeguard the health of low-income residents and increase energy efficiency.
- Enterprise has helped Baltimore schools learn about and connect to best conservation practices and resources, in partnership with [Baltimore City Office of Sustainability](#), the [Maryland Association of Environmental and Outdoor Education](#), the [Parks and People Foundation](#) and the [United States Green Building Council](#).

In 2013, Enterprise took lessons learned from its Washington, D.C., based Faith-Based Development Initiative to connect with faith leaders in Baltimore City to advance their development projects. Enterprise hosted two trainings and is currently providing grant and technical assistance support to four houses of worship.

Throughout its tenure in Baltimore, Enterprise has had strong financing relationships via our loan fund, syndication and multifamily mortgage product line. Since its inception, Enterprise also has invested over \$832 million in Baltimore City and Baltimore County to support over 12,500 affordable homes, including:

- Over \$357 million in LIHTC equity in Baltimore City and Baltimore County supporting 5,119 units – \$85 million of which in the last five years supported 1,026 units;

- Over \$43 million in permanent debt for affordable rental housing in Baltimore City and Baltimore County supporting 1,511 units – \$14 million of which in the last five years supported 409 units;
- Over \$37 million in predevelopment and acquisition debt in Baltimore City and Baltimore County supporting 3,473 units – \$5 million of which in the last five years supported 234 units; and
- Over \$7 million in capacity building grant support to community development corporations (CDCs) in Baltimore City.

In 2013 in the Baltimore region, Enterprise provided:

- Seawall Development with a \$3.5 million acquisition loan for commercial redevelopment in the Remington neighborhood of Baltimore City;
- AHC of Greater Baltimore and Michaels Development with a \$3.6 million multifamily mortgage loan to support the development of 76 affordable-housing units;
- Over \$9 million in Low-Income Housing Tax Credit equity to Enterprise Homes, our development arm, for affordable senior housing in Baltimore County;

Enterprise also supports local community development non-profits with capacity building funding to strengthen each organization's operations and management. Key areas of support include program development and implementation, board and organizational development, training and technical assistance, and financial management systems.

In Baltimore, Enterprise Homes, our development company that operates across the mid-Atlantic, has developed multi-family rental and for-sale properties, often in partnership with other developers, community groups, government agencies and faith based organizations: eight County developments have provided 652 units at a cost of \$110.4 million; while 27 City developments have provided 2,620 units at a cost of \$296.7 million. In addition to these completed developments, three are in the pipeline for Baltimore County which will provide 309 units at a total cost of \$60.8 million. There are two Baltimore City developments in the Enterprise Homes pipeline.

Baltimore is Enterprise's "hometown" with rich history and therefore a place where we bring a high level of humility about how challenging community development of any nature can be, how hard this work is, how important it is to have good partnerships in place, how important it is to stay grounded in past efforts that have been very well intended but often fail, for numerous reasons to achieve their ambitious goals.

Baltimore's Regional Real Estate Market and Demographic Snapshot

Baltimore City and Baltimore County are, in many ways, jurisdictions of contrast. As noted in Table 1, in 2012:

- The city's composition of white and black residents is nearly opposite that of the county;
- City residents' median income is nearly 50 percent less than county residents;

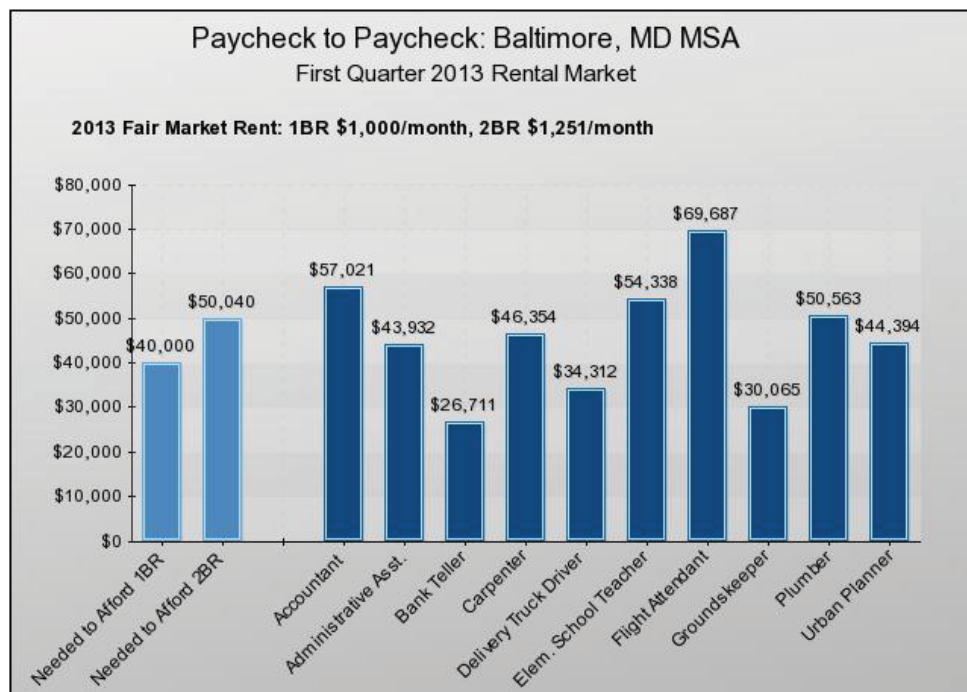
- City residents are nearly twice as likely to be unemployed, and;
- City residents are nearly three times as likely to be impoverished.

In both jurisdictions, more than half of rental households pay more than 30 percent of their income to rent. Determined by the Center for Housing Policy, Table 1 shows a survey of incomes for Baltimore-area occupations.

Table 1: Comparison of Select Statistics for Baltimore City and Baltimore County, 2012

	Baltimore City ⁶	Baltimore County ⁷
Population – White / Black	31% / 64%	65% / 27%
Median Household Income	\$40,100	\$65,411
Unemployment Rate	13%	7%
Median Home Value	\$163,700	\$269,400
Owner-Occupied Homeowner Rate	50%	67%
Housing Vacancy Rate	16%	7%
Median Rent	\$889	\$1,082
Pop. Paying >30% of Gross Household Income to Rent	57%	51%
Pop. with H.S. diploma or higher	80%	90%
Persons Below Poverty Level	22%	8%

Figure 1: Select Salaries for Baltimore-Area Occupations⁸



⁶ State and County QuickFacts, Baltimore City. *US Census Bureau.*

⁷ State and County QuickFacts, Baltimore County. *US Census Bureau.*

⁸ Paycheck to Paycheck Database. *National Housing Conference.*

Baltimore City

In 2012, the City's population grew to 621,342, stemming 62 years of decline and ranking as the 26th largest city in the nation. Once a thriving industrial port specializing in steel and auto manufacturing as well as shipping, the area's factories closed in the late 20th century, significantly reducing high-wage jobs for low-skill workers. According to a 2012 Brookings Institution study, the number of jobs in largely low-paying industries such as retail and food service grew more than 60 percent in the region between 1980 and 2007, while jobs increased 36 percent in middle-wage fields and fewer than 10 percent in high-wage fields.⁹ Nearly 25 percent of Baltimore residents and 37 percent of Baltimore children live in poverty, and the City's homeless population, particularly that of young homeless residents, steadily increased in recent years, exceeding 4,000 people in 2011.^{10 11}

Since 1999, Baltimore City has become less affordable. From 1999 and 2012, while residents' income grew by approximately 33 percent, home values increased 136 percent and median rent increased 79 percent. As a result, the number of residents paying more than 30 percent of income to rent increased 17 percent. According to a 2013 report, Baltimore is the 9th least affordable-housing market in the U.S.¹²

Perhaps the city's most striking statistic, 16,000 vacant properties – one in eight homes – challenge broad re-investment.¹³ The City initiated the Vacants to Value Program in November 2010 to implement strategies that would attract developers to single properties or entire blocks. Streamlined Code Enforcement allows Baltimore Housing to levy citations on owners of neglected or vacant buildings that threaten otherwise healthy neighborhoods and to auction the property to a third-party receiver if owners fail to respond to citations.¹⁴ On blocks with many vacant properties, the City designates the area as a Community Development Cluster and partners with developers to rehabilitate multiple properties.¹⁵

Affordable-housing developers and the City do well to leverage the LIHTC, Community Development Block Grant (CDBG), and HOME programs. Between 2008 and 2012, developers in the City secured tax-credits for nine 4 percent and 19 9 percent LIHTC projects.¹⁶ In Fiscal Year 2013, the City spent approximately \$22 million in CDBG funding for capital investments, planning, and administration to rehabilitate 208 units and approximately \$9.8 million in HOME funding for gap financing of 362 rental and 25 ownership units.¹⁷

⁹ Hopkins, Jamie Smith. 'Next economy' envisioned for Baltimore region. *Baltimore Sun*. Apr. 26, 2012.

¹⁰ Kilar, Steve. Baltimore's poverty rate unchanged at 1 in 4. *Baltimore Sun*. Sept. 20, 2012.

¹¹ Smith, Van. Census shows striking growth in Baltimore homelessness. *Baltimore City Paper*. Oct. 19, 2011.

¹² Briggs, James. Baltimore's housing market is becoming less affordable. *Baltimore Business Journal*. Oct. 23, 2013.

¹³ Wenger, Yvonne. City to raze hundreds of vacant houses in stepped-up plan. *Baltimore Sun*. Aug. 16, 2013.

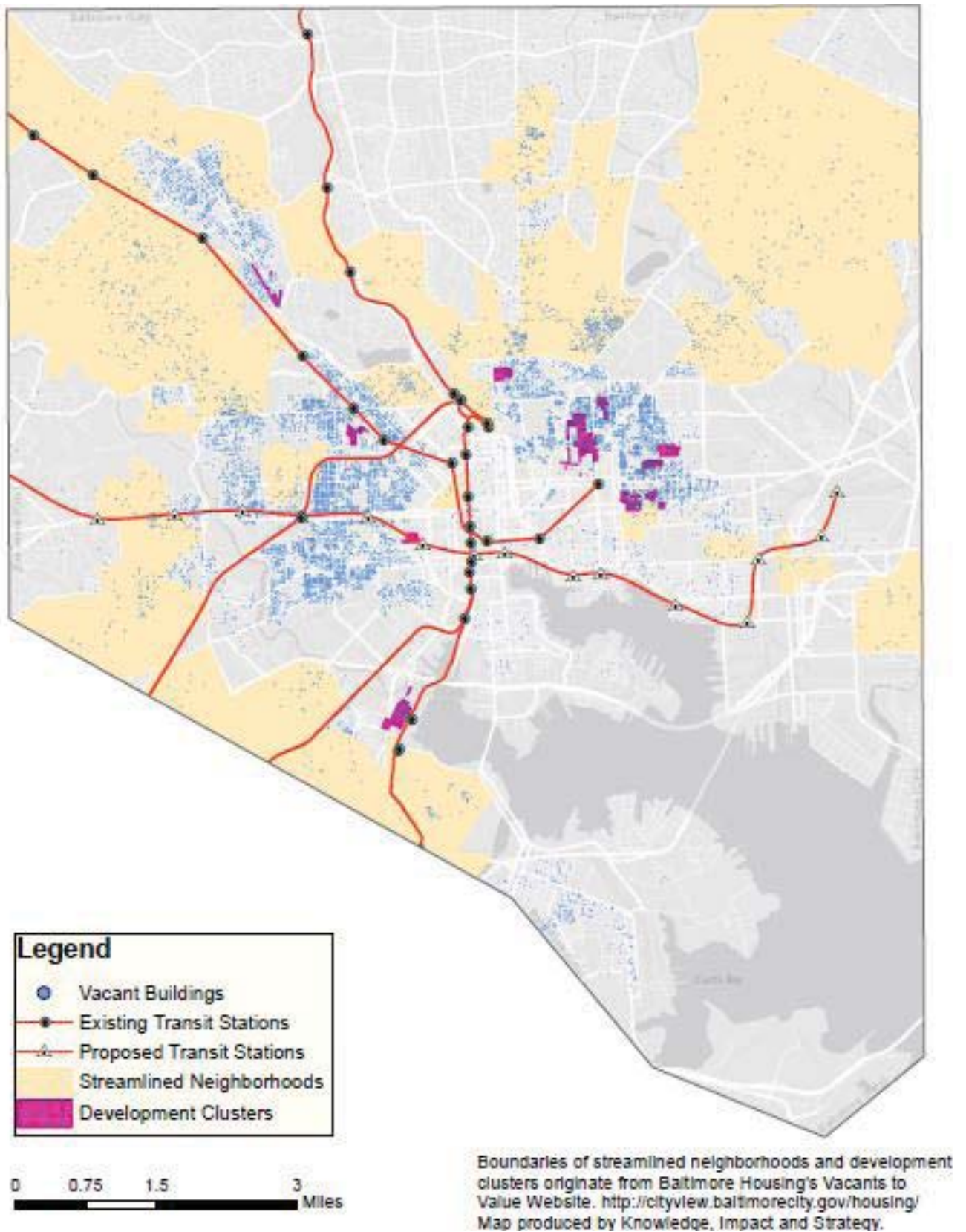
¹⁴ Streamlined Code Enforcement. *Baltimore Housing*.

¹⁵ Community Development Clusters. *Baltimore Housing*.

¹⁶ Federal Low Income Housing Tax Credit Program. *Maryland Dept. of Housing and Community Development*.

¹⁷ Consolidated Annual Performance and Evaluation Report, FY 2013. *Baltimore Housing*.

Figure 2: Vacant Homes and Baltimore Housing Target Areas



Baltimore County

Between 1999 and 2012, the County's affordability experienced similar stress. There, residents' income grew approximately 30 percent, but median home values increased 111 percent and median rent increased 61 percent. Like Baltimore City, the number of residents paying more than 30 percent of income to rent increased 17 percent.

Compared to the City, Baltimore County is less active in creating and preserving affordable housing with federal programs. Between 2008 and 2012, affordable-housing developers in the County secured tax-credits for five 4 percent and eight 9 percent LIHTC projects. Baltimore County annually contributes approximately \$312,000 in CDBG and \$500,000 in HOME funds for the preservation and production of affordable housing. Citing lack of community support, in November 2013 the Baltimore County Council rejected more than \$1 million in necessary state funding to finance construction of 45 townhomes and five single-family homes for low-income residents.¹⁸

Regional Transit and Housing Development

The region's transit system is characterized by a single heavy-rail subway line, three light-rail lines that travel through a similar corridor, and several bus lines, including the Charm City Circulator.

- After political and fiscal pressure reduced an earlier plan for six heavy-rail lines to one, Metro opened in 1983, connecting downtown to Reisterstown Plaza 7.6 miles northwest and subsequently extended 6.1 miles northwest to Owings Mills (1987) and 1.6 miles north to Johns Hopkins Hospital (1994). The line includes a 6.2-mile tunnel below Downtown. Passengers pay \$1.60 per trip, with a reduced fare of \$0.55 for senior and disabled passengers.¹⁹
- Addressing ongoing transit demand and in coordination with a new baseball stadium, the light-rail line opened in 1992 to link the northern suburb of Timonium, Camden Station, and the southern suburb of Glen Burnie. In 1997, subsequent extensions reached Hunt Valley to the north, Penn Station, and Baltimore/Washington International Airport. Unique to Baltimore, the Maryland Transit Administration (MTA) did not use federal funding to construct the 30-mile line. Like Metro passengers, light-rail passengers pay \$1.60 or \$0.55 reduced-fare.²⁰
- MTA operates 57 bus routes in the Baltimore region, including 47 local routes, four limited-stop routes, four express routes, and two neighborhood shuttles. Passengers on local routes pay \$1.60 per trip, while those on limited-stop and express trips pay \$2.00 (\$0.95 reduced) and on neighborhood shuttles pay \$1.00 (\$0.50 reduced).²¹
- The Charm City Circulator is a free, four-route service connecting many of Baltimore City's commercial districts, tourist attractions, and neighborhoods. Opened in 2010, the service generally travels north-south between Penn Station and Federal Hill with a southeast extension to Fort McHenry and east-west between Fells Point and the University of Baltimore with a spur

¹⁸ Knezevich, Alison. Baltimore County Council rejects low-income housing project. *Baltimore Sun*. Nov. 18, 2013.

¹⁹ Metro Subway. *Maryland Transit Administration*.

²⁰ Light Rail. *Maryland Transit Administration*.

²¹ Local Bus. *Maryland Transit Administration*.

to Johns Hopkins' East Baltimore campus. Many developers spoke fondly of the Circulator as a successful addition to the city.

Compared to other cities with more robust transit service – e.g., Washington, D.C., and its 106-mile heavy-rail network, 300 bus routes, and soon-to-open streetcar lines – perception is that Baltimore's transit system fails to attract a critical mass of users, therefore does not demand highly dense TOD. Similarly, the land use and development pattern in the last forty years has much more strongly supported auto-oriented development patterns throughout the region. Discussed later, MTA has engaged developers on a handful of TOD projects, including a project at Owings Mills to build 1,700 market-rate units as well as 1.03 million s.f. of office and retail space, a hotel, a community college facility, and a public library. This project highlights latent regional demand for TOD and foreshadows potential threats to the area's affordability.

Despite lower housing costs in Baltimore City, reputations for better performing schools, greater public safety, and myriad other factors attract the region's residents to Baltimore's suburbs. In part due to the limited transit availability and transit-inaccessible regional job centers, suburban residents often rely on car ownership, raising the cost of suburban living even higher.

The Center for Neighborhood Technology developed the Housing and Transportation (H+T) Index to express the increased cost of seemingly less expensive suburban living, echoing a standard measure of affordable housing – 30 percent of income to housing costs – and introducing a new standard measure for affordable housing and transportation – 45 percent of income to both costs.

Figure 3 shows geography-related housing costs for a typical household in the area earning \$65,266 – the area median income (AMI) for a household of four in 2010, when CNT last updated the Index's income figures. Yellow areas indicate where households at the 2010 AMI level would spend less than 30 percent of their income on housing, while residents in blue would spend more than 30 percent. Housing within and near Baltimore's Beltway is relatively affordable, but costs increase in the region's wealthier suburbs.

Figure 3: Housing Costs per Income in Greater Baltimore²²

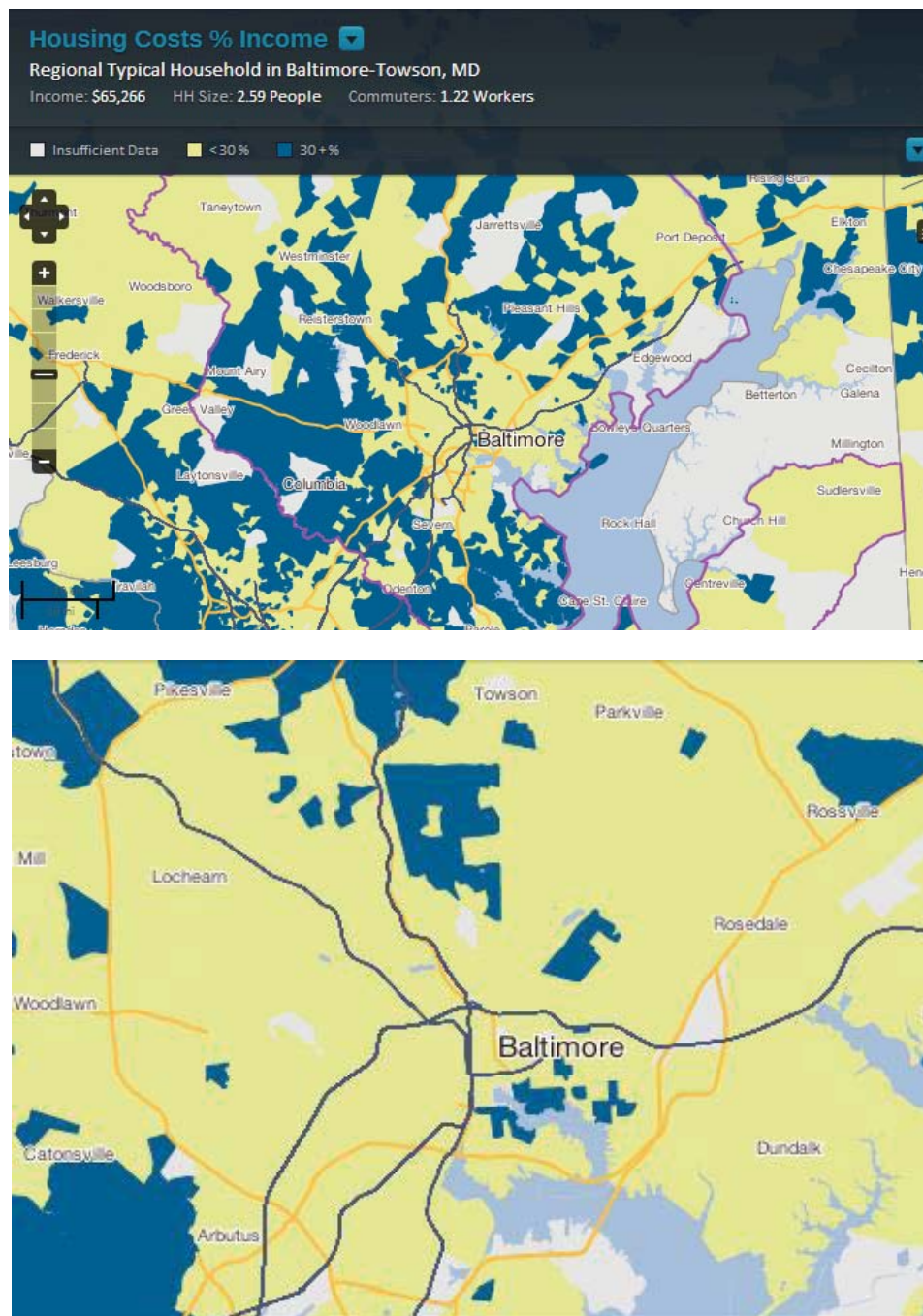
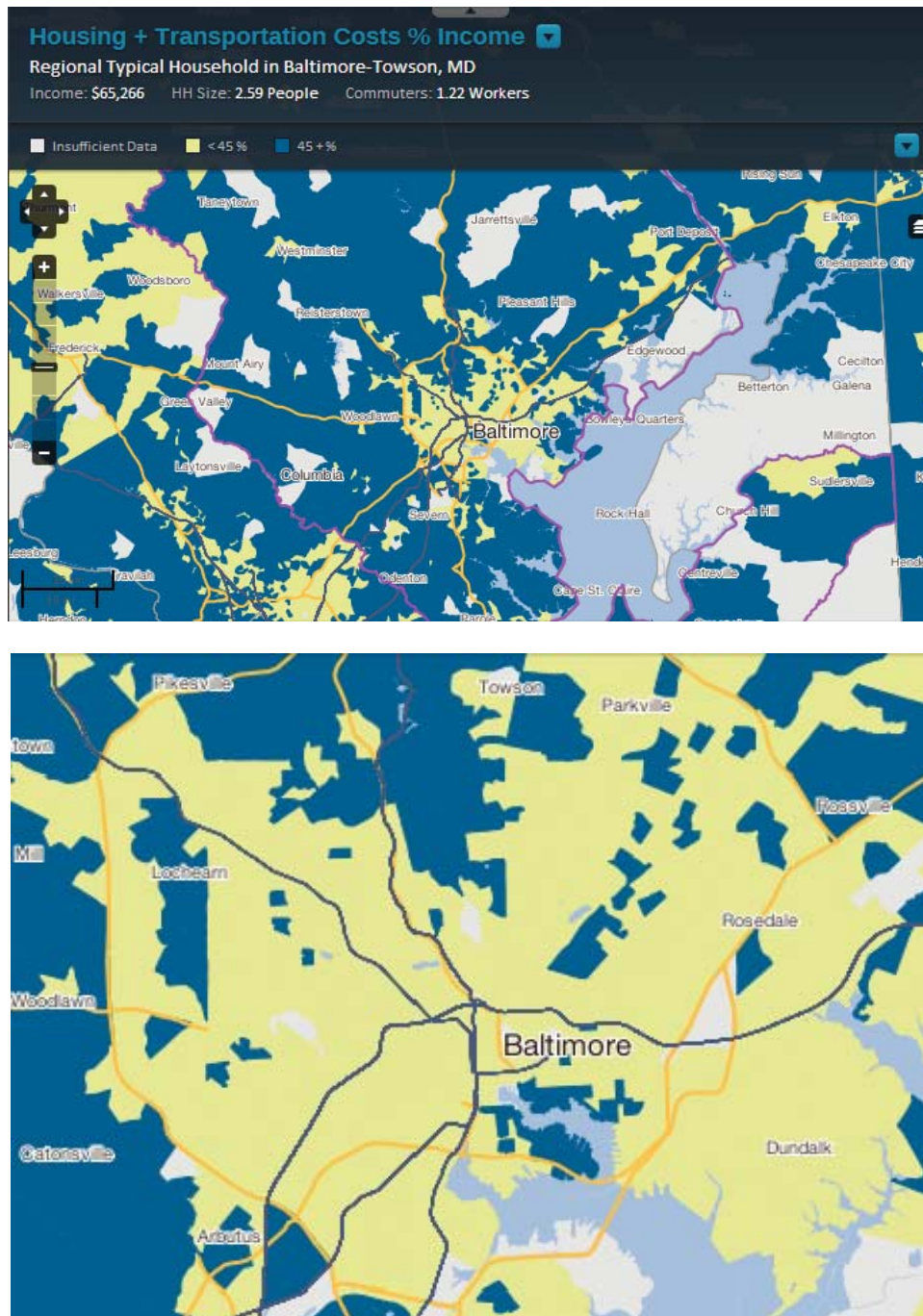


Figure 4 shows geography-related housing costs for a typical household earning the 2010 AMI. In these maps, yellow areas would allow the typical household (at 2010 AMI) to spend less than 45 percent of their income on housing *and transportation*, while blue area would require spending more than 45 percent. Compared to costs only for housing, housing and transportation costs near Baltimore’s Beltway are increasingly unaffordable, but many areas in the region’s core remain income-accessible.

²² H+T Affordability Index. *Center for Neighborhood Technology*.

Figure 4: Housing and Transportation Costs per Income in Greater Baltimore²³



²³ H+T Affordability Index. *Center for Neighborhood Technology*.

S.W.O.T. Analysis

To better understand the strengths, weaknesses, opportunities, and threats of developing ETOD in Greater Baltimore, Enterprise interviewed a variety of stakeholders in housing, transportation, planning, education, finance, and philanthropy. Complementing the stakeholder interviews, Enterprise collaborated internally with Enterprise Homes, the organization’s development arm, its Knowledge, Impact and Strategy (KIS) team, and our Baltimore-based education program director.

- Enterprise Homes has developed residential property in the region and provided a valuable perspective on the real estate market and their development strategy.
- KIS helped to graphically display myriad data gathered during interviews and research, creating easily understood and manipulated maps to facilitate future work.
- Enterprise’s education director provided an integrated perspective on housing, neighborhood and citywide schools, mobility, and community development.²⁴

Table 2: Summary of SWOT Analysis

Strength	Weakness	Opportunity	Threat
1. State funding programs	1. Transit efficacy	1. Supportive local development codes	1. Transit efficacy
2. City and regional coordination	2. Relationship connectivity for TOD	2. Transit expansion	2. Large-scale redevelopment capacity
3. Supportive local programs	3. Inconsistent demand for TOD	3. Expanding TOD districts	3. Poor coordination between MDOT and DHCD
4. Evident and emerging TOD districts	4. Residential foreclosure rates	4. Capacity-building partnerships	4. Persistent perceptions for threatening places
5. Small-scale redevelopment capacity	5. Significant vacancies and complex land assembly	5. Targeted and robust Vacants to Value program	5. Internal capacity constraints
6. Minimal acquisition-financing gaps	6. Ineffective inclusionary housing ordinance	6. Baltimore City Community Enhancements TOD Fund	
7. Strong anchor institutions leading TOD initiatives		7. Rebounding home values	
8. Red Line Community Compact		8. City Red Line TOD working group	

Through stakeholder interviews and other research, Enterprise developed the following assessment of ETOD in the Baltimore region to consider in our work going forward.

²⁴ For a complete list of interviewees, see Page 51.

Strengths

1. **State Funding Programs:** Maryland has aggressively promoted reinvestment in established communities by implementing a number of laws that provide funding, financing, and other fiscal tools to local governments, community development organizations, and other partners.

MARYLAND SMART GROWTH SUBCABINET

Led by the Secretary of Planning, the Smart Growth Subcabinet coordinates the Maryland Department of Transportation (MDOT), the Department of Housing and Community Development (DHCD), and other departments as well as the National Center for Smart Growth to implement smart growth policy, recommend to the governor changes in law, regulations and procedures needed to support this policy, and to create, enhance, support, and revitalize sustainable communities across Maryland.

SMART GROWTH INVESTMENT FUND

The State established the Maryland Smart Growth Investment Fund Workgroup, which through 2013 will study the potential to use public resources to induce private financing of certain types of development. Supported by a collaboration of the University of Maryland's National Center for Smart Growth and George Washington University's Center for Real Estate and Urban Analysis, the Workgroup is now defining the mission, governance, and geographic focus of Maryland's prospective program and will report its findings by the end of the year.²⁵

MARYLAND SUSTAINABLE GROWTH COMMISSION

Established in 2010, the Maryland Sustainable Growth Commission identifies and recommends strategies for state and local coordination for growth and development issues to the Smart Growth Subcabinet, reviews implementation of the state growth, transportation, and housing plans, and advises on local impacts of state policies and laws. The Commission reports annually on its activities and recommendations to the governor other top state officials.²⁶

MARYLAND DEPARTMENT OF TRANSPORTATION (MDOT) PROGRAMS

Based on the Subcabinet's recommendation, MDOT has designated 15 areas in Maryland as TOD areas, allowing local governments there to receive technical assistance, funding prioritization, special TIF and bond authority, and concurrent DHCD Sustainable Communities designation, which makes available several program (discussed below). Figure 5 shows MDOT's TOD-designated areas.

²⁵ Workgroup Explores Creation of a Smart Growth Investment Fund. *Maryland Association of Counties*.

²⁶ Maryland Sustainable Growth Commission. *Maryland Dept. of Planning*.

Figure 5: MDOT's TOD-Designated Areas²⁷



In Greater Baltimore, MDOT has designated four TOD areas, preparing them for joint development:

- At the Metro line's western terminus, Metro Centre at Owings Mills will, at full build-out, create 1,700 market-rate residential units, 1.3 million s.f. of office and retail space, a hotel, a Baltimore County public library, and a Community College of Baltimore County facility.²⁸
- In 2011, Maryland conveyed 11 acres of the 35-acre Reisterstown Plaza to the General Services Administration for construction of a Social Security Administration building, expected to open in summer 2014. Twenty-four acres near the Metro station remain available.²⁹
- Stalled since 2010 in litigation between the State and neighboring property owners, in the 28-acre State Center project plans to consolidate state and municipal offices, create

²⁷ Initial TOD Designated Sites. *Maryland Dept. of Planning.*

²⁸ Owings Mills Metro Station. *Maryland Dept. of Transportation, Office of Real Estate.*

²⁹ Reisterstown Plaza Metro Station. *Maryland Dept. of Transportation, Office of Real Estate.*

housing for mixed-income residents and mixed-use commercial space. Clearing legal hurdles in March 2014, the project now will move forward.³⁰

- To our knowledge, MDOT is not currently pursuing joint development at Baltimore City's only light-rail TOD designee, Westport Station.

Although not a TOD-designated area, MDOT has also pursued joint development at Rogers Ave., which includes nine acres adjacent to the Metro station with six bus routes.³¹

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD) PROGRAMS

Maryland's housing-support programs provide a concerted response to disinvestment in the state's historic urban communities. Detailed below, it prioritizes considerable funding for transit-oriented projects in communities with expressed commitment to sustainable development.

LOW-INCOME HOUSING TAX CREDITS (LIHTCs) AND QUALIFIED ALLOCATION PLAN (QAP)

LIHTCs provide equity for developers that produce housing affordable to particular earned-income thresholds (typically 50 percent or 60 percent of AMI) to compensate for lost rental income. If a developer also finances a project with tax-exempt bonds or state or federal funds, developers may receive a credit allocation that is generally 4 percent of the project's eligible basis. Developers that utilize only LIHTCs may compete through the QAP for an allocation of 9 percent tax credits, which refers to 9 percent of the project's eligible basis.

Maryland's QAP outlines scoring criteria for awarding federal and State assistance – notably, LIHTCs – for affordable multi-family rental housing projects. Notably, the 2013 QAP explicitly supports transit-oriented development, awarding eight points to projects within one-quarter mile of an MDOT-designated TOD station and four points to a project located with one-quarter mile of rail and high-frequency bus services. This coordination between MDOT and DHCD signals the State's commitment for jointly considering transit access and affordable housing.

As noted in Figure 6 and Figure 7, from 2008 to 2012 developers secured 4 percent LIHTCs on nine projects – primarily rehabilitation projects for elderly residents – in Baltimore City and five in Baltimore County. In that same period, developers secured 9 percent LIHTCs on 16 projects – typically new construction and multi-family – in the City and seven in the County (Figure 8 and Figure 9).

³⁰ Kilar, Steve. Future of State Center in question after judge's decision. *Baltimore Sun*. Jan. 17, 2013.

³¹ Rogers Avenue Metro. *Maryland Dept. of Transportation, Office of Real Estate*.

Figure 6: New and Rehab 4 percent LIHTC Projects in Greater Baltimore, 2008 - 2012³²

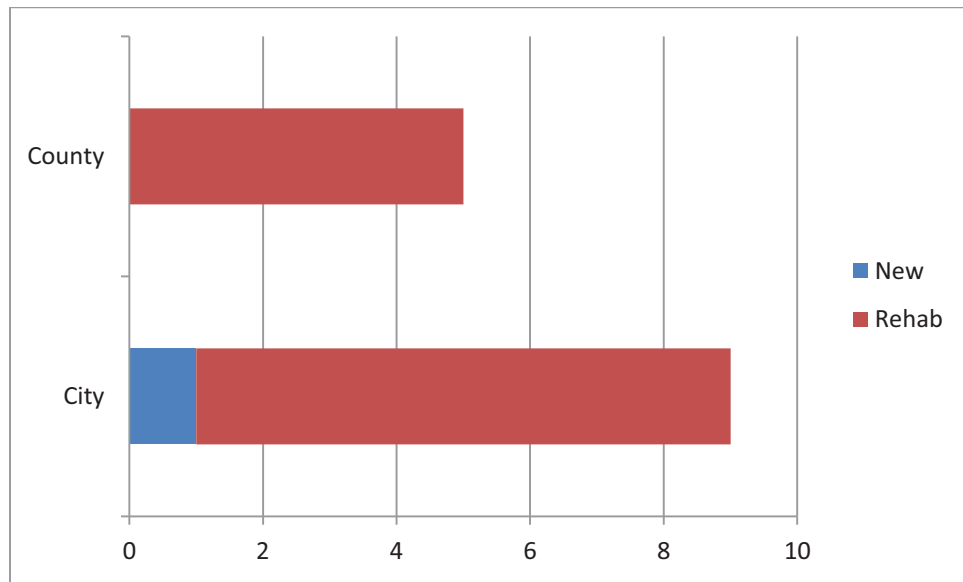
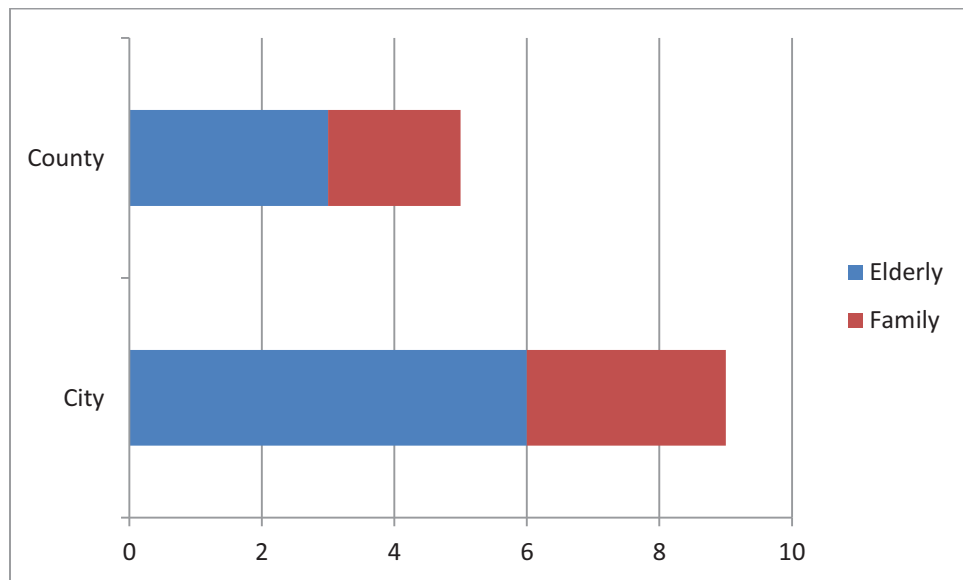


Figure 7: Elderly and Family 4 percent LIHTC Projects in Greater Baltimore, 2008 - 2012³³



³² Federal LIHTC Program Award Summaries. *Maryland Dept. of Housing and Community Development.*

³³ Federal LIHTC Program Award Summaries. *Maryland Dept. of Housing and Community Development.*

Figure 8: New and Rehab 9 percent LIHTC Projects in Greater Baltimore, 2008 - 2012³⁴

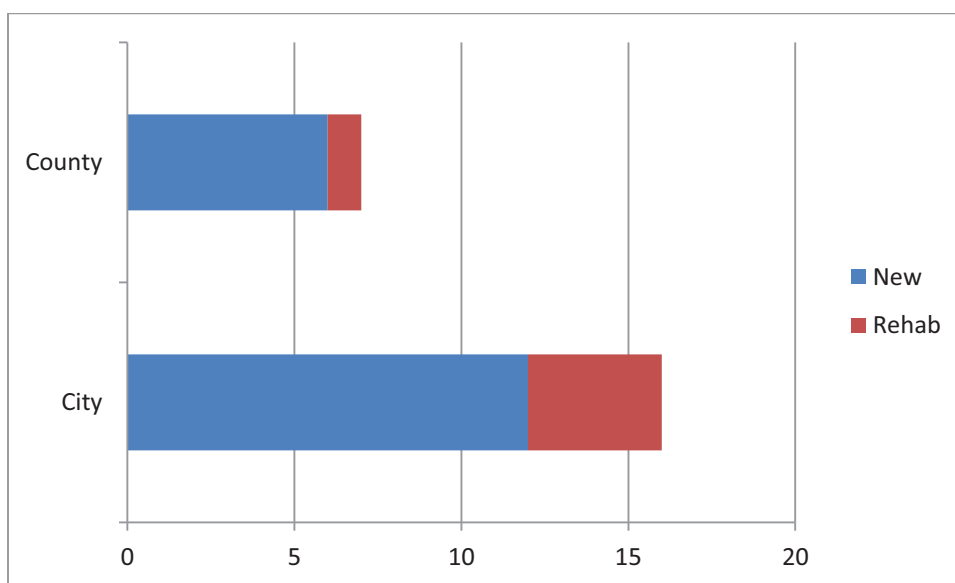
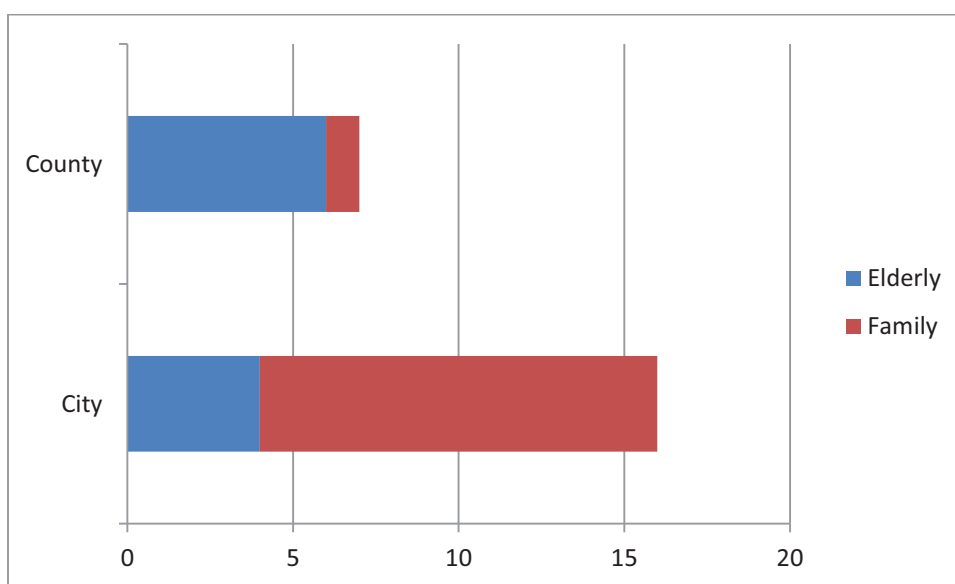


Figure 9: Elderly and Family 9 percent LIHTC Projects in Greater Baltimore, 2008 - 2012³⁵



PRIORITY FUNDING AREAS (PFA) ACT

Signed into law in 1997, the PFA Act capitalizes direct spending to existing communities and places where local governments want State investment to support future growth. Growth-related projects covered by the legislation include most State programs that encourage or support growth and development such as highways, sewer and water

³⁴ Federal LIHTC Program Award Summaries. *Maryland Dept. of Housing and Community Development.*

³⁵ Federal LIHTC Program Award Summaries. *Maryland Dept. of Housing and Community Development.*

construction, economic development assistance, and State leases or construction of new office facilities. PFAs include:

- Every municipality in the state, as they existed in 1997;
- Areas inside the Washington Beltway and the Baltimore Beltway; and
- Areas already designated as enterprise zones, neighborhood revitalization areas, heritage areas, and existing industrial land.

Every station area considered in this report lies in a PFA.

SUSTAINABLE COMMUNITIES (SC) ACT

Per the 2010 SC Act, Maryland allows a local jurisdiction to leverage several funding programs (listed below) for reinvestment in state-approved areas consistent with an SC Action Plan for community revitalization. Local governments must revise and submit SC materials every five years.³⁶ Much of Downtown Baltimore City as well as transit-limited County neighborhoods qualify as SC areas.³⁷

A handful of developers commented that they used SC-inclusive funding programs prior to the SC Act's bundling of them and requiring organizations, like the Central Baltimore Partnership, to apply for funding on behalf of one or several community development corporations. Interviewees active in the area north of Penn Station commented that the State was sensitive to concentrating awards and instead wished to spread funding across applicants throughout the state.

The list of funding programs available to SC-qualified local governments includes the following:

- The **Community Legacy Program** provides local governments and development organizations with flexible financial assistance to strengthen communities through a broad range of activities, including business retention and attraction, homeownership support, and commercial revitalization. Eligible projects include: establishing a revolving loan fund for buying and rehabilitating homes; mixed-use development and infrastructure projects; demolition and land banking; and acquisition of vacant houses. The FY2014 budget included \$6 million in capital funds for this program.³⁸

One developer received funding from this program to fund grants and forgivable loans to homeowners. Although another developer applied, it did not receive – and did not expect to receive – funding from this program, because it received considerable funding from other SC-related programs.

³⁶ Sustainable Community Designation, 2014 Application. *Maryland Dept. of Housing and Community Development*.

³⁷ Approved Sustainable Communities. *Maryland Dept. of Housing and Community Development*.

³⁸ Community Legacy Program, 2014 Application. *Maryland Dept. of Housing and Community Development*.

- The **Neighborhood BusinessWorks Program** provides loans from \$25,000 to \$500,000 to new or expanding small businesses and non-profit organizations for gap financing of revitalization projects. Eligible projects include: market, planning, and feasibility studies; acquisition; and new construction or rehabilitation.³⁹

Only one interviewee –reported receiving funding from this program, for façade improvements in Mt. Vernon approximately eight years ago.

- The **Maryland SC Rehabilitation Tax Credit Program** fosters investment in existing communities, creates construction jobs, and promotes green building practices by providing an income tax credit of 10 percent to non-historic qualified rehabilitated structures or 20 percent to historic structures based on a percentage of the qualified capital costs expended in the rehabilitation project. Since 2007, Maryland has awarded \$63 million in tax credits to leverage more than \$530 million in economic activity.⁴⁰

One developer has relied heavily on this program, though staff commented that there is less funding available today and that it primarily supports homeownership development and homeowners directly with substantially less debt than developers.

One developer staff suggested, too, that a two-stage bridge loan, in which the second payment could pay for initial work costs, would help small-capacity developers and homeowners to use tax credits to afford rehabilitation while work is in progress – not after it is complete. This loan product would appeal particularly to affordable-housing developers.

- The **Baltimore Regional Neighborhood Initiative (BRNI)** provides funding to non-profit community development organizations for down-payment assistance, acquisition, redevelopment, and rehabilitation of vacant properties for residential infill projects in an SC area inside the Baltimore Beltway.⁴¹

Staff at two development organizations reported using BRNI at least once – the latter enthusiastically supporting the program as it supports coalitions of developers.

- The **Strategic Demolition and Smart Growth Impact Fund (SGIF)** provides funds (no less than \$250,000 and \$500,000 on average) to local governments and community development organizations for site acquisition and assembly, demolition, site development and infrastructure improvements, and construction-level green design.⁴²

Two developers have received considerable funding from this program. Interviewees from both organizations noted the program’s robust funding. In other markets,

³⁹ Neighborhood BusinessWorks. *Maryland Dept. of Housing and Community Development.*

⁴⁰ FY 2013 Sustainable Communities Tax Credit Awards. *Maryland Dept. of Housing and Community Development.*

⁴¹ Baltimore Regional Neighborhoods Initiative. *Maryland Dept. of Housing and Community Development.*

⁴² Strategic Demolition and Smart Growth Impact Fund. *Maryland Dept. of Housing and Community Development.*

Enterprise has expanded on similar funds to leverage greater financing for affordable housing.

- The **Job Creation Tax Credit** may apply to businesses expanding in or relocating to Maryland, with enhanced credits in an SC of 5 percent of annual wages up to \$1,500 per new job for businesses that create at least 25 jobs.⁴³

As re-development typically creates only a handful of jobs per property, no developer interviewee has received support from this program.

- The **Sidewalk Retrofit Program** finances 100 percent of the construction and replacement of sidewalks along state highways in an SC.

No interviewee noted a familiarity with this program.

- An SC receives priority consideration in the state's development plan, PlanMD, for state coordination and investment.

SUSTAINABLE COMMUNITIES TAX INCREMENT FINANCING (TIF) DESIGNATION AND FINANCING ACT

The 2013 Sustainable Communities Tax Increment Financing (TIF) Designation and Financing Act supports an SC's access to unique funding for infrastructure improvements.

- The law expands existing tax increment financing (TIF) authority to enable counties and municipalities to finance a broader range of the costs for infrastructure improvements located in or supporting an SC, including the cost for operation and maintenance of infrastructure improvements, through bonds.
- The law also expands the uses for TIF-supported bonds in an SC, including:
 1. Historic preservation and rehabilitation;
 2. Environmental remediation, demolition and site preparation;
 3. Parking lots, facilities and structures of any type for public or private use;
 4. Highways and transit services that support Sustainable Communities;
 5. Schools;
 6. Affordable or mixed income housing; and
 7. Stormwater management and storm drain facilities.
- Under the law, SCs are treated the same as MDOT-designated TODs for the purposes of bonds, special taxing districts and tax increment financing, and for utilizing the bonding authority of Maryland Economic Development Corporation (MEDCO).

⁴³ Job Creation Tax Credit. *Maryland Dept. of Business and Economic Development*.

Only in place for a matter of months, DHCD reports that affordable-housing developers have not accessed the expanded program. Meanwhile, many interviewees expressed little understanding of the program's expanded opportunities. Only staff from one developer offered that it may consider using this program in strong housing markets for market-rate projects. Another CDC expressed a need for conducting a feasibility study on utilizing TIF in the Highlandtown/Greektown station area.

INFRASTRUCTURE INVESTMENT ACT

The Maryland Infrastructure Investment Act of 2013 indexed the state's \$0.235 per gallon gas tax and transit fare to the consumer price index and will gradually increase the sales tax on gasoline to generate \$800 million annually at full implementation and invest \$4.4 billion between FYs 2014 and 2019 in transportation projects.⁴⁴ Backed by new funding revenues, in May 2013 the State committed \$170 million for right-of-way acquisition of the Red line and committed \$519 million to its construction.⁴⁵ Having recently initiated engineering studies of the project corridor, the State expects to receive a commitment for federal funding in 2014, to construct the project from 2015 to 2021, and to open service in 2022.⁴⁶

The question of whether these new revenue sources could support ETOD is an open one. According to DHCD staff, while transportation revenue cannot support housing directly, there is likely opportunity for it to support transportation-related infrastructure costs that broadly benefit redevelopment. For example, transportation revenue could pay for streetscape, sidewalk, road, sewer and similar projects.

PUBLIC-PRIVATE PARTNERSHIP ACT

In the same legislative session, Maryland passed new public-private partnership (P3) legislation to spur private-sector collaboration on infrastructure projects like the Red Line, provide the private sector with a stronger, more predictable and streamlined process for future P3 projects, and allow the private sector to submit new, unsolicited concepts to address the state's infrastructure needs. Days after this legislation passed, the State posted a request for information for best practices and innovative approaches to finance and operate the Red Line.⁴⁷

According to MDOT staff, the P3 legislation does not apply to TOD projects.

⁴⁴ Transportation Infrastructure Act of 2013 Press Release. *Maryland Dept. of Transportation*.

⁴⁵ Rector, Kevin and Cox, Erin. O'Malley to announce \$1.5 billion for Baltimore-area transportation projects. *Baltimore Sun*. Sept. 4, 2013.

⁴⁶ Red Line Project Information. *Maryland Transit Administration*.

⁴⁷ On the heels of the newly signed P3 law, State seeks private sector input on delivering Purple Line and Red Line. *Maryland Transit Administration*. Apr. 11, 2013.

RENTAL HOUSING WORKS (RHW)

RHW is subordinate gap financing to be used solely for projects financed using DHCD's Multi-family Bond Program (MBP) and 4 percent LIHTC. Therefore, projects requesting RHW funding must meet the requirements for both MBP and 4 percent LIHTC, including those described in the QAP and Multifamily Rental Financing Program Guide. The RHW funding limit for any one project is \$2.5 million.

RHW funding is governed by the laws applicable to MBP, with the following changes:

- RHW loans shall be subordinate loans with particular terms and conditions and will be funded from State general obligation bonds and not CDA bond proceeds.
- RHW loans must be used in conjunction with DHCD's tax-exempt bonds.
- RHW loans may not be used as cash collateral for short-term bonds.
- RHW loans are not subject to the requirements of MBP that are strictly applicable to the issuance of tax-exempt bonds.
- In addition to meeting DHCD's MBP, LIHTCs, and RHF requirements, RHW applicants must satisfy zoning, financing, and FTE threshold criteria.
- The Board of Public Works must approve all RHW funding awards because the source of the RHW funding is general obligation bonds.⁴⁸

According to the Maryland Affordable Housing Coalition, DHCD's Rental Housing Works program has been a highly successful gap funding source. Implemented in 2012, DHCD has deployed over \$21 million in RHW funds to support over 1,500 units and has another \$26 million (1,500 units) in the pipeline.

PARTNERSHIP RENTAL HOUSING PROGRAM (PRHP)

PRHP serves to expand the supply of affordable housing for low-income households. Projects financed through PRHP typically involve a partnership between State and local governments, although the State modified regulations in 2006 to permit non-governmental entities to leverage these funds for creating housing (< 10 percent of total units) for one or more individuals with disabilities or special needs. This change in the Program is designed to expand affordable-housing opportunities for persons with disabilities that are integrated within traditional rental housing developments.

PRHP provides loans for rental housing targeting residents earning less than 50 percent AMI. Loan amounts are limited to \$75,000 per unit for large projects and up to \$2 million without a per-unit cap for small projects. Eligible activities include new construction and acquisition or rehabilitation of rental housing. Rental housing may include apartment buildings, townhouses, single-family homes, single-room occupancy buildings, and shared housing facilities.

⁴⁸ Rental Housing Works. *Maryland Dept. of Housing and Community Development*.

2. **City and Regional Coordination:** Interviewees regularly lauded Greater Baltimore’s interdisciplinary network of advocates, philanthropists, and developers whose work endeavors to address a variety of challenges.

OPPORTUNITY COLLABORATIVE

Geographic Focus: Baltimore Regional Stakeholders (Baltimore City and Baltimore, Anne Arundel, Howard, Harford, and Cecil Counties)

Key Partners: Local government and nonprofits.

Purpose: Develop Regional Plan for Sustainable Development (RPSD). The RPSD will help the Baltimore region coordinate investments in housing, transportation and workforce development to reduce disparities and connect citizens to a prosperous future.

The Opportunity Collaborative is a consortium of regional housing and planning staff, housing and environmental advocates, political officials, philanthropists, and researchers charged with developing Baltimore’s Regional Plan for Sustainable Development (RPSD). Awarded with a \$3.5 million HUD Sustainable Communities Initiative Planning Grant, the RPSD will link the Baltimore regions housing, transportation, and workforce development plans and investments with specific focus on reducing regional disparities. Through extensive public education and engagement, government, philanthropic, and private sector partners have been working together with community members to develop a practical plan to connect residents to a prosperous and sustainable future.⁴⁹ In November 2012, the Collaborative issued \$375,000 to eight demonstration projects that coordinated transportation, housing, and workforce planning.⁵⁰ The RPSD will be completed in 2015.

Of developers interviewed, only staff from one developer was familiar with the Opportunity Collaborative and commented that the group’s regional focus goes beyond his organization’s capacity and focus to create or preserve affordable housing in West Baltimore.

BALTIMORE INTEGRATION PARTNERSHIP

Geographic Focus: See Map in Figure 10.

Key Partners: Association of Baltimore Area Grantmakers, Living Cities, The Reinvestment Fund and several philanthropic, public, nonprofit and academic partners.

Purpose: Deploying capital in underserved markets to increase affordable housing and jobs.

The Baltimore Integration Partnership (BIP) is a collaboration of philanthropists, non-profit organizations, local and state government, and area colleges and universities established to expand opportunities for low-income residents and neighborhoods in Baltimore City by linking physical and human capital development. Through BIP, The Reinvestment Fund (TRF) offers a

⁴⁹ The Opportunity Collaborative. *Baltimore Metropolitan Council*.

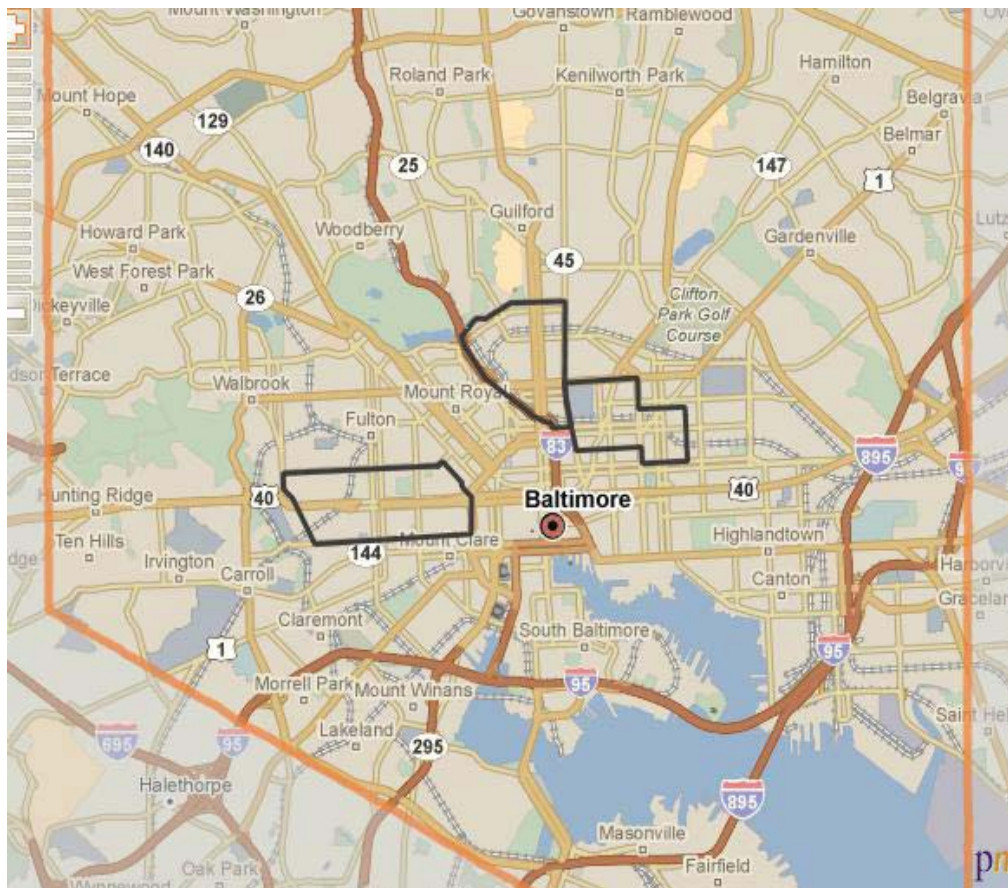
⁵⁰ Sustainable Communities Initiative name chosen. *Opportunity Collaborative*. Nov. 20, 2012.

range of loan products for pre-development, acquisition, construction, and semi-permanent and New Market Tax Credit financing for small businesses. BIP works in a targeted geography with developers and employers to identify job opportunities and with its partners to connect low-income residents with those jobs.⁵¹ Figure 10 shows BIP Target Areas relative to Neighborhood Statistical Areas.

Staff from two developers were very familiar with BIP and its relation to TRF and Living Cities. Some commented that using BIP funding triggered further reporting requirements, and noted participation on BIP's working group of anchor institutions. Enterprise considers BIP an opportunity for further regional ETOD collaboration and model between developers and financial institutions.

BIP is in the process of shaping its next two year strategic focus, with an emerging emphasis on anchor institutions as key players in comprehensive community development. An example of this work is the efforts underway by John's Hopkins and Homewood Community Partners Initiative.⁵² BIP plans to expand its geographic area of focus to by more city-wide.

Figure 10: Baltimore Integration Partnership Target Areas⁵³



⁵¹ What is the Baltimore Integration Partnership? *Association of Baltimore Area Grantmakers*.

⁵² Homewood Community Partners Initiative. *Johns Hopkins University Office of the President*.

⁵³ BIP Target Areas. *Baltimore Integration Partnership*. Aug. 2011.

CENTRAL MARYLAND TRANSPORTATION ALLIANCE (CMTA) TOD STEERING COMMITTEE

Geographic Focus: Greater Baltimore to Greater Washington, D.C. regions.

Key Partners: Venable, LLP; Greater Baltimore Committee; PNC Bank; Mercy Medical Center; Goldseker Foundation; Baltimore Community Association; Annie E. Casey Foundation; Baltimore Urban League; Downtown Partnership, Inc..

Purpose: CMTA is a coalition of area business and non-profit leaders dedicated to improving travel efficiency within Central Maryland. CMTA convenes city, county, state, and federal officials and coordinates advocacy for short- and long-term strategies with state, federal, and private funding to implement transportation improvements.

Since publishing its 2009 TOD Typology report, CMTA has convened its TOD steering committee several times a year to monitor and advocate for TOD expansion. CMTA urged MDOT to consider seven Baltimore-area TOD sites in its list of 14 TOD designees.⁵⁴

3. Supportive Local Programs: Baltimore City benefits from several development-supportive programs: the Sustainable Communities Baltimore Grant aims to increase the proportion of low- and very low-income households within a 30-minute commute of major employment centers; the Vacants to Value program strategically targets blighted homes for redevelopment; and Healthy Neighborhoods supports homeownership in strong but disadvantaged neighborhoods. In addition to these programs, the City does well to publicize public records online.

- *Vacants to Value Program:* Baltimore Housing systematically assesses a vacant home's viability for sale to and rehabilitation by a private developer in 19 target areas where investment will likely produce the greatest gains. The majority of vacant properties – about 10,000 – are grouped together in desolate neighborhoods, where the City plans to demolish 1,500 houses through 2014. For approximately 5,000 isolated vacant properties sitting in 85 neighborhoods on otherwise occupied blocks, the City compels property owners through code enforcement and fines to rehab the houses or takes them to court to force the structures to be sold at auction.⁵⁵

Spending approximately \$2.5 million per year for the past three years of the program, the city has rehabbed 1,508 homes, given out about 500 assistance grants, demolished 734 vacant properties, and created about 800 lots for community gardens.⁵⁶ Baltimore Housing has developed the following six strategies to initiate lasting change:

- Streamline the disposition of City-owned properties;
- Streamline code enforcement in stronger markets;
- Facilitate investment in emerging markets;
- Target home-buying incentives;

⁵⁴ Central Maryland Transportation Alliance.

⁵⁵ Wenger, Yvonne. City to raze hundreds of vacant houses in stepped-up plan. *Baltimore Sun*. Aug. 16, 2013.

⁵⁶ Broadwater, Luke. City to offer \$5,000 to prospective home buyers. *Baltimore Sun*. Nov. 11, 2013.

- Support large-scale re-development in distressed areas;
 - Demolish and maintain severely distressed blocks.⁵⁷
 - **Healthy Neighborhoods:** This organization partners with Baltimore City to provide capital for property acquisition and rehabilitation, counsels homeowners and rehabilitation specialists, and promotes community projects that enhance the lives of residents. Healthy Neighborhoods received more than \$26 million in Neighborhood Stabilization Program 2 (NSP2) funding to acquire and redevelop foreclosed or abandoned homes in 12 census tracts.⁵⁸
 - **Information Sharing:** The City does well to publicize myriad data through the Open Baltimore website. From its homepage, the site “supports government transparency, openness and innovative uses that will help improve the lives of Baltimore residents, visitors and businesses through use of technology.” Facilitating access to property data should help planning and development partners to collaborate on strategically addressing the city’s several needs.
- 4. Evident and Emerging TOD Districts:** Most developers cited the neighborhoods of Station North and Mt. Vernon around Pennsylvania Station, Maryland Institute College of Art, and University of Baltimore as some of Baltimore’s strongest transit-accessible neighborhoods, taking advantage of MARC and Amtrak commuter rail service and MTA light rail service to the Inner Harbor and Baltimore-Washington International Airport. Seawall Development Corporation, Jubilee Baltimore, and Telesis Corporation, in particular, have targeted Penn Station’s nearby Remington and Barclay neighborhoods, respectively, for affordable-housing redevelopment. Figure 11 shows City Arts, a mixed-use property including 59 apartments and gallery space developed by Jubilee in partnership with Homes for America and TRF Development Partners.⁵⁹

Figure 11: City Arts Façade⁶⁰



⁵⁷ Vacants to Value Strategies. *Baltimore Housing*.

⁵⁸ Home. *Healthy Neighborhoods*.

⁵⁹ City Arts. *Housing Baltimore's Artists*.

⁶⁰ City Arts Apartment Rentals. *Winn Residential*.

- 5. Small-Scale Redevelopment Capacity:** Baltimore's affordable-housing development community has done very well to produce and preserve affordable housing.

Baltimore exhibits a strong presence of effective, small-capacity affordable-housing development partners. Enterprise has a track record of helping partners like these continue to develop at scale through a consistent presence. In addition, Baltimore Housing (Housing Authority of Baltimore City and Baltimore City Department of Housing and Community Development) has helped many developers to control and hold property for several years while they secure financing as well as leverage highly competitive 9 percent LIHTCs to preserve or construct affordable housing across the city.

- 6. Minimal Acquisition Financing Gaps:** Likely due to partnerships with Baltimore Housing and generally lower real estate values, Baltimore faces fewer gaps than other cities in acquisition financing.

As mentioned, several developers of larger scale (e.g., 100+ units) community revitalization have relied on Baltimore Housing as a patient partner in land assembly to purchase or lease the land. A patient process for high-risk predevelopment is critical for securing financing – typically 9 percent LIHTCs. Often developers are securing land directly from the city so they do not need to finance and hold it. Developers did note a need for predevelopment funding and/or the city to utilize eminent domain. Our feedback was predominately from stakeholders working in the City and the opportunities outside the city/county may be much different. Though anecdotal at this stage, feedback so far does not suggest the need to create a dedicated acquisition fund.

- 7. Strong Anchor Institutions Leading TOD Initiatives:** Universities, cultural attractions, and medical institutions serve to anchor neighborhoods and drive redevelopment.

Maryland Institute College of Art (MICA), by many accounts the second best institution of its kind in the nation, has attracted young residents to the Mount Vernon and Barclay neighborhoods, where the Central Baltimore Partnership has worked with Jubilee Baltimore and Telesis in recent years to coordinate redevelopment of a number of properties. Similarly, the University of Maryland in Baltimore's BioPark has helped to spur redevelopment in the city's western downtown edge and into the West Baltimore neighborhood. John Hopkins University, too, has recently become a valuable partner in investing in properties around its downtown medical campus.

- 8. Red Line Community Compact:** The City has engaged Baltimore residents in prospective station areas in a planning process that intends to protect and enhance these places during construction and when service opens.

Signed in 2008 by representatives of 70 state and local organizations, institutions, and agencies, the Compact served to research best practices of similar projects and tailor those lessons to Baltimore's transit expansion. The non-binding documents provides clear goals and strategies for the state and its contractors to consider as the project advances, including economic empowerment for local job-seekers, air and water quality gains and increased open space,

attractive and healthy transit-oriented neighborhoods, business retention policies, and considerate construction practices that mitigate impacts on business.

The planning process and compact that followed serve as a model for future transit projects, including the proposed Purple Line in Maryland suburbs north and east of Washington, D.C.⁶¹ As part of the compact, Station Area Advisory Committees (SAACs) were established for each station along the corridor to participate in an 18-month planning process between 2010 and 2012. In conjunction with Baltimore City staff implementing the compact, the Opportunity Collaborative awarded a Demonstration Grant for the City to hire a consultant to conduct an in-depth market feasibility study on the West Baltimore MARC proposed station area.

Weaknesses

1. **Transit Efficacy:** The region greatly lacks transit connectivity, reducing demand for developing projects around existing or proposed transit stations.

The region's transit system does little to attract TOD investment. A single rapid transit line connects northwestern County suburbs and shopping plazas to the City's central business district. Three light rail lines follow a single corridor between northern and southern County suburbs, connecting Penn Station (Amtrak, MARC commuter rail), Camden Station (MARC), and Baltimore-Washington International Airport. Myriad bus routes travel from all corners of the region to the central business district, and the Charm City Circulator provides free service to tourist destinations and business districts.

As noted in a 2009 Reconnecting America report, these modes poorly connect transit stations with employment centers and fail to effectively contribute to a regional transit system.⁶² Lacking connectivity, the regional transit network lacks levels of ridership that typically support robust transit-oriented development. While many developers hailed Baltimore's Circulator bus service, it has not initiated considerable re-development.

While there may be an opportunity to support development around existing stations (e.g., Penn Station with Amtrak, MARC, and light rail services or the West Baltimore MARC Station), many stations and their surrounding areas lack elements of public safety. As a result, stations struggle to attract regular users, limiting demand for these areas and discouraging redevelopment.

For example, the vacant Ice House building sits adjacent to the West Baltimore MARC Station, but limited activity, high distress, perceptions of insecurity, and the complexity of land assemblage in this area of parking lots and vacant homes have discouraged redevelopment and, consequently, investment in the neighborhood. Developers prioritized walkable, stable or emerging neighborhoods in the site selection process versus proximity to transit rail.

⁶¹ Red Line Community Compact. *Go Baltimore Red Line*. Sept. 12, 2008.

⁶² Central Maryland TOD Strategy: A regional action plan for transit-centered communities. *Center for Transit Oriented Development*. Jul. 2009.

2. **Relationship Connectivity for TOD:** Beyond physical connectivity, the region lacks connectivity in vision or motivation for TOD – equitable or otherwise. Most affordable developers that we spoke with lack familiarity with the Opportunity Collaborative. This distance from regional collaboration could disconnect these stakeholders from recommendations for ETOD and affordable-housing development.

Interviewees have not pursued joint development with MTA or MDOT and have little awareness of working with the Baltimore Metropolitan Council (BMC) for support or collaboration, particularly regarding TOD. This perceived lack of communication between the development community and regional partnerships could weaken recommendations for ETOD and affordable-housing development.

3. **Inconsistent Demand for TOD:** Baltimore exhibits relatively low demand for transit-oriented properties. Developers often commented that they prioritize neighborhoods with nearby amenities and pedestrian scale over neighborhoods with good transit access.

Recent market-rate development at Owings Mills signals both hope for greater attention for TOD and potential threats to ETOD. If developers recognize transit as a popular and marketable asset, the region could quickly lose its stock of affordable market-rate housing. Therefore, preserving affordability requires regulations tailored to keeping transit-rich neighborhoods in existing and planned transit corridors affordable to a range of household income levels.

4. **Residential Foreclosure Rates:** Maryland’s preference for judicial foreclosure created a backlog of court action on homes standing vacant since the housing crisis, which only now has come to bear on Baltimore and other traditionally stable housing markets in affluent suburbs.

Baltimore City saw foreclosures in the month of July 2013 three times the figure for the prior year: 2,073 total. That constituted the largest gain in the 20 largest U.S. metropolitan areas, according to RealtyTrac. Baltimore was one of the five major cities in which properties bucked a nationwide decline in defaults, auctions, and repossessions.⁶³

5. **Significant Vacancies and Complex Land Assembly:** The City’s 16,000 vacant properties and absentee ownership complicate the development community’s and the City’s efforts to aggregate parcels into valuable, attractive lots for redevelopment.

⁶³ Foreclosures Surge in Baltimore. *SBWire*. Aug. 21, 2013.

6. **Ineffective Inclusionary Housing Ordinance:** The City's inclusionary housing ordinance requires developers who receive municipal assistance (e.g., funding, zoning amendment, TIF designation, etc.) produce affordable units, based on the type and amount of assistance received, but it also requires the City to reimburse developers for lost revenue from those units.⁶⁴

According to Baltimore Housing staff, the City has created only 25 affordable units in the past five years as a result of the law, though it could have produced at least 200 with increased funding. A contentious prospective project, Harbor Point, could have alone produced 200 affordable units, but the fiscally constrained City chose not to spend approximately \$250,000 per unit to produce them.

Because the inclusionary housing law applies to projects based on funding, not on geography, impending revision of the City's zoning code will not affect the law. Moreover, City planning staff has offered that the City's proposed TOD districts will not require or incent affordable housing.

Opportunities

1. **Supportive Local Development Codes:** The City is presently engaging in a once-in-a-generation zoning code update, TransForm Baltimore, that will encourage the location of uses and forms of development conducive to increased transit use, including greater density and mixed uses around transit stations.

Whereas the previous 40-year old code promoted auto-oriented regional development, new regulations support four new TOD districts that allow at different intensities a mix of multi-family and row homes, a wide range of businesses, and cultural facilities and require various design elements, including:⁶⁵

- buildings must be oriented to major streets and have building entries facing the transit station on streets leading to the station;
- parking lots are prohibited and public plazas and outdoor seating are encouraged in front of buildings;
- buildings must stand at least two stories;
- first floor of commercial buildings must have at least 60 percent glass on major streets; and
- parking is required only for residential units and commercial uses over 2,000 s.f.

2. **Transit Expansion:** The Red Line will add a valuable third corridor to the region's ineffectual rail system, improving access to Downtown Baltimore as well as regional employment centers. State and regional officials expect that this line's success will enhance existing rail and bus service throughout Greater Baltimore and spur economic development.

⁶⁴ Article 13: Housing and Urban Renewal. *Baltimore City Council*. 2013.

⁶⁵ TransForm Baltimore - Zoning: First Reader. *Baltimore City Council*.

In addition to the State's recent \$519 million commitment to construct the Red Line and \$170 million to acquire its right-of-way and produce its final design, Governor O'Malley recently committed \$246 million to replace 100 Metro cars and 15 miles of signals, \$46 million to expanded MARC service between Baltimore and Washington, D.C. during the weekends, and \$12 million to Circulator operations.⁶⁶

3. **Expanding TOD Districts:** Coupled with revised zoning that supports high-density, mixed-use redevelopment, enhanced transit service may spur greater investment and economic development in transit-oriented properties near existing and proposed stations.

Noting the University of Maryland BioPark as an intrepid anchor in West Baltimore, interviewees suggested that concerted investment there from similar institutions and improvements to the MARC station relative to Red Line construction could support broad redevelopment here. Bon Secours, in partnership with others, is well positioned to champion work in that area.

The City's heavy rail line includes several stations with opportunities for relatively high-density redevelopment, like Metro Centre at Owings Mills. In addition to the State Center project noted, interviewees noted potential redevelopment of transit-adjacent shopping plazas at Mondawmin Station, Rogers Station, and Reisterstown Station, all northwest of downtown.

The light rail line, too, has opportunities for redevelopment. Seawall Development Corporation has redeveloped a number of row homes in the Remington neighborhood north of Penn Station and farther north in the Hampden neighborhood east of Woodberry Station. Telesis Corporation, too, has invested considerably in the nearby Barclay neighborhood.

4. **Capacity-Building Partnerships:** Baltimore's development community exhibits capacity to partner with CDFIs and state and local agencies to deliver small-scale affordable-housing projects. Many developers noted financial constraints to explicitly pursuing a TOD strategy – instead acquiring property as finances allow. The Central Baltimore Partnership plays a valuable role in coordinating relatively small CDCs in strategic partnerships near Penn Station.
5. **Targeted and Robust Vacants to Value Program:** Baltimore City's Vacants to Value program will spend \$22 million through 2014 to raze 1,500 homes. The City's general fund will budget \$12.4 million, while the City will dedicate \$9.25 million from its \$10 million national mortgage settlement to the effort. Previously, the City spent approximately \$2.5 million per year on demolition.⁶⁷

The City, which owns 20 percent of all vacant properties, expects to raze 4,000 vacant homes over the next ten years.⁶⁸ Nearly 6,000 of these properties lie in areas with high housing demand, and more than 700 exist in emerging markets.

⁶⁶ Rector, Kevin and Cox, Erin. O'Malley to announce \$1.5 billion for Baltimore-area transportation projects. *Baltimore Sun*. Sept. 4, 2013.

⁶⁷ Wenger, Yvonne. City to raze hundreds of vacant houses in stepped-up plan. *Baltimore Sun*. Aug. 16, 2013.

⁶⁸ Broadwater, Luke. City to offer \$5,000 to prospective home buyers. *Baltimore Sun*. Nov. 11, 2013.

Coordination between Baltimore Housing, MTA, and the Opportunity Collaborative may maximize these properties' value for ETOD redevelopment.

6. **Baltimore City Community Enhancements Transit-Oriented Development Fund:** In May 2012, Governor O'Malley signed the Baltimore City Community Enhancements Transit-Oriented Development Fund bill, which created a special, non-lapsing fund for use on projects within ½-mile of designated transit-oriented development districts in the City.

One interviewee noted that this fund was intended to support redevelopment at State Center as a pilot for other projects; however, State Center's re-development had been stalled in litigation until March 2014. Therefore, state and city leaders should consider the Fund's applicability in other areas.

7. **Rebounding Home Values:** Although the Baltimore region saw home prices increase only 9 percent in summer 2013 – short of the 19 percent rebound across the country – a relatively low number of underwater mortgages (25 percent) encourages housing market forecasts. As DHCD Secretary Skinner noted, "On the whole, Maryland's housing recovery continues at a very strong pace, as evidenced by rising home prices, brisk home sales, tightening inventory of homes for sale and even the continued decline in new delinquencies."⁶⁹
8. **City Red Line TOD Working Group:** Many stakeholders involved in Baltimore's TOD conversation have noted the need for a working group devoted to exploring methods for advancing the development model along the Red Line. In November 2013, an architectural firm closely involved in the Red Line Community Compact presented to the Baltimore City Council to propose such a working group.

Threats

1. **Transit Efficacy:** Developers commented during interviews that, due to poor connections with other transit services and few potential anchors, the publicly contentious Red Line alone may do little to create a desirable transit system and may not spur redevelopment activity in West Baltimore, where policymakers hope integration with the MARC station will respond to striking disinvestment. As is the case with connections between subway and existing light rail service, due to Red Line alignment constraints transit passengers will not be able to transfer seamlessly between Metro and Red Line service, limiting the system's overall effectiveness and attractiveness to prospective riders.
2. **Large-scale Redevelopment Capacity:** Lacking an effective transit system, Baltimore struggles to generate sufficient demand for transit-proximate properties beyond the dense downtown area. Without demand and opportunity for financial return, few developers will substantially invest in these areas to create transit-oriented communities.

⁶⁹ Litten, Kevin. High foreclosure rate skews Baltimore's housing outlook. *Baltimore Business Journal*. Aug. 19, 2013.

Interviewees frequently commented that affordable-housing developers lack sufficient capital and often can only support one project at a time. Consequently, these developers rarely consider satisfying an overarching regional goal like ETOD, instead taking deals as they become available. There may be a role for a coalition of small-capacity developers, similar to the Central Baltimore Partnership, to consider and address regional housing goals and coordinate developers' potentially collaborative efforts.

3. **Limited Coordination between MDOT and DHCD:** While DHCD has tailored the QAP to award eight points to LIHTC projects within MDOT's TOD-designated areas, MDOT does not require residential projects in these areas to include affordable housing. MDOT requiring residential projects in these areas to include affordable housing would strengthen the State's commitment to ETOD and should produce a substantial number of ETOD units in Greater Baltimore and across Maryland.
4. **Persistent Perception for Threatening Places:** Several developers commented that ongoing perceptions of limited safety stifle demand for housing in many of Baltimore City's transit-oriented neighborhoods. In particular, downtown office blocks that lie dormant at night and vast areas of parking or vacant lots near the West Baltimore MARC station lack consistent supervision from passersby.
5. **Internal Capacity Constraints:** With multiple priorities across the region, Enterprise must assess its role to determine if it has the credibility and capacity in the region to lead and deliver on these recommendations. We must also continue to ensuring we are not duplicating, but rather complementing, the laudable efforts of other groups already active in Greater Baltimore.

Analysis of Affordable-Housing Stock

Enterprise has collected and analyzed federal, state, and local housing data at the acre, parcel, and unit level from areas one mile and one half-mile from all light rail, Metro, MARC, and proposed Red Line stations. To quantify the number and variety of vacant properties, subsidized housing properties, programmatic support areas, income characteristics, and market characteristics, Enterprise produced a series of tables on all station areas as well as maps that express those features in neighborhoods surrounding each of the proposed Red Line stations. Enterprise staff is well equipped to synthesize similar data going forward to better understand market characteristics in all existing and proposed stations in Greater Baltimore.

In the interest of brevity, the charts below highlight only selected information for proposed Red Line stations. Please see Page 60 for complete data tables for all station areas.

Red Line Corridor Analysis

Figure 12: Percentage of vacant acres, Sustainable Community (SC)-designated acres, and Enterprise Zone (EZ)-designated acres per all acres in areas at varying distances from proposed Red Line stations

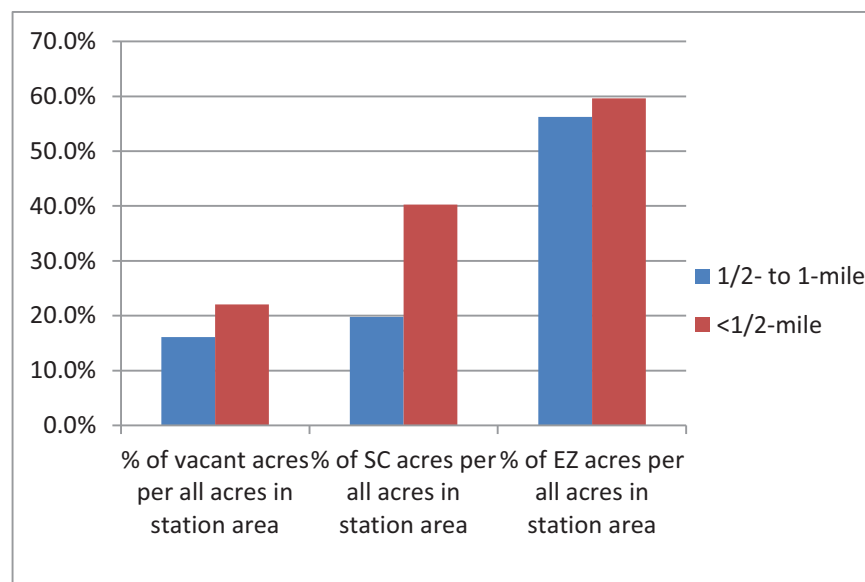


Figure 13: Percentage of impoverished and cost burdened residents per station area

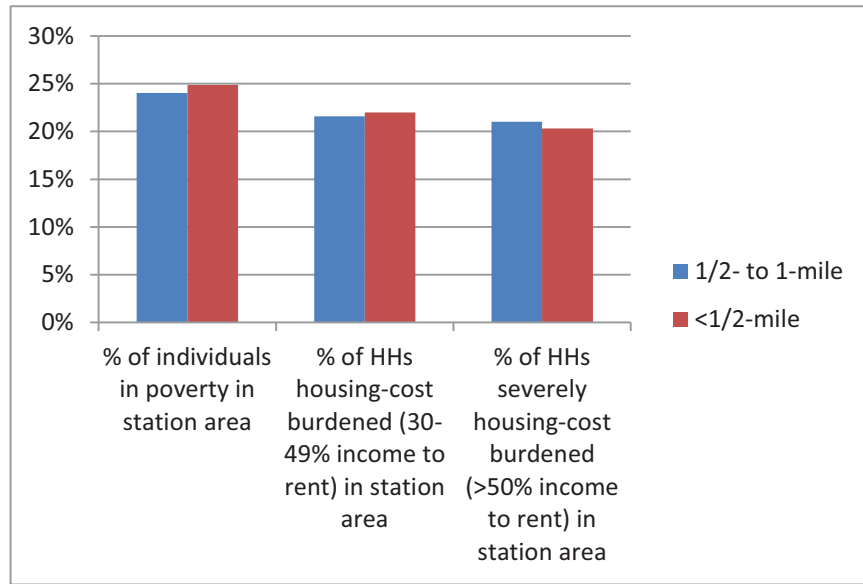


Figure 14: Percentage of area median income (AMI) earners in area less than one half-mile from proposed Red Line stations

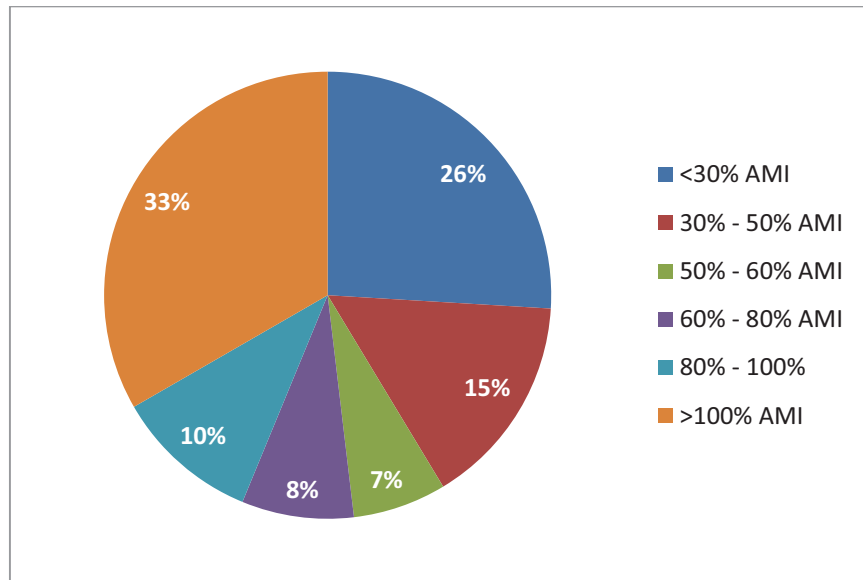
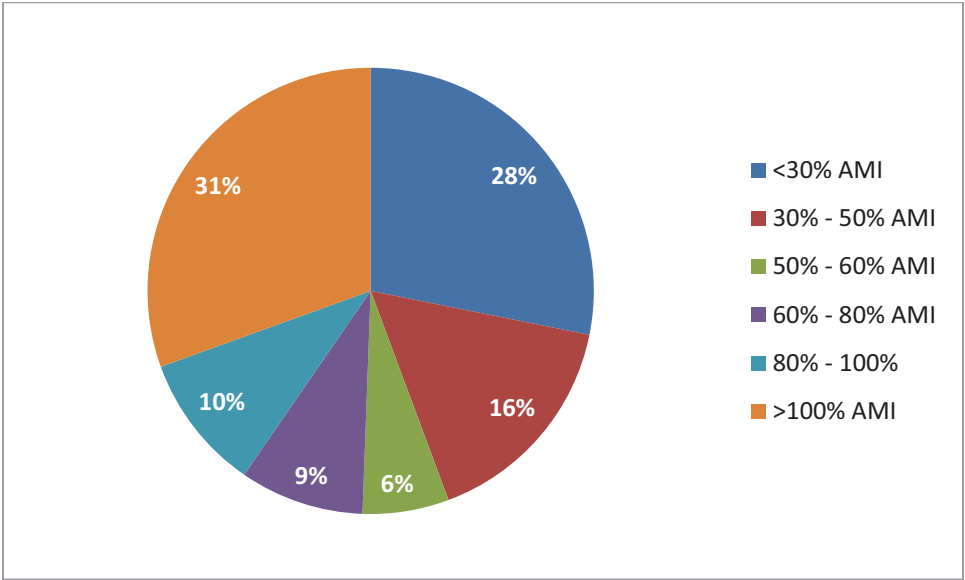


Figure 15: Percentage of area median income (AMI) earners in area one half-mile to one mile from proposed Red Line stations



Red Line Station Analysis

Figure 16: Percent of vacant (unimproved) acres per all acres in station area

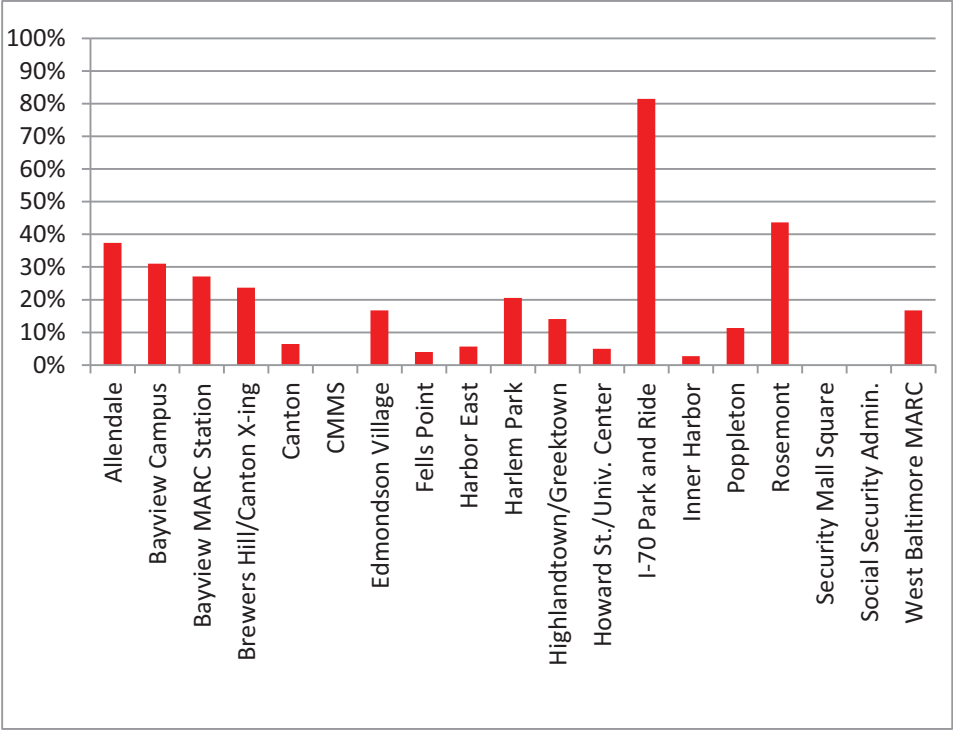


Figure 17: Percentage of Sustainable Community-designated acres per all acres in station area

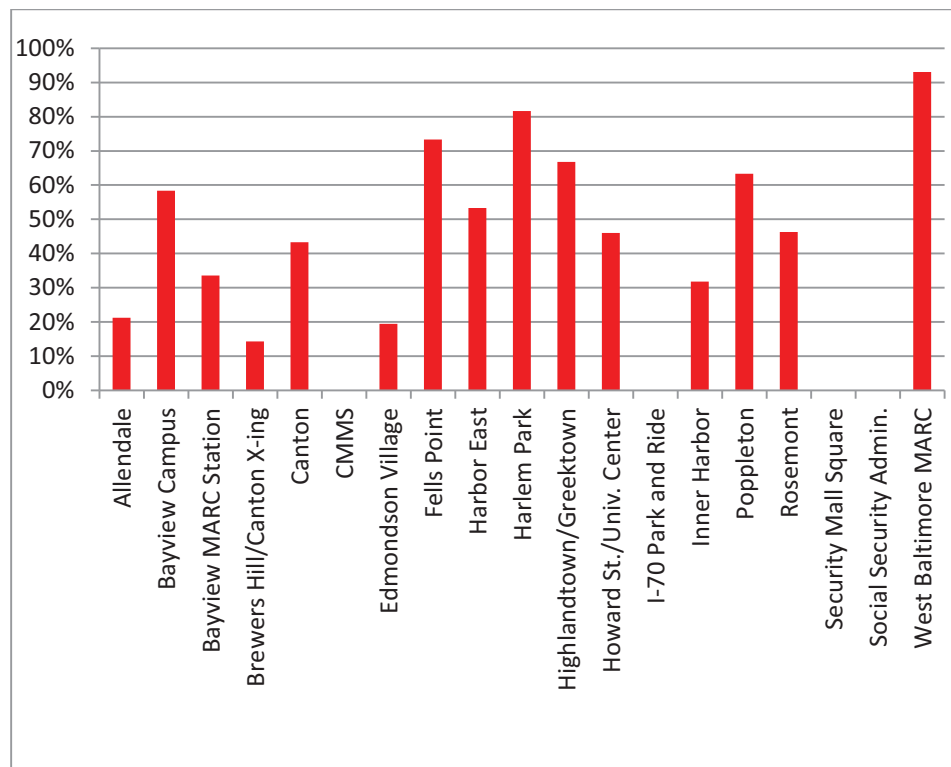


Figure 18: Percentage of Enterprise Zone-designated acres per all acres in station area

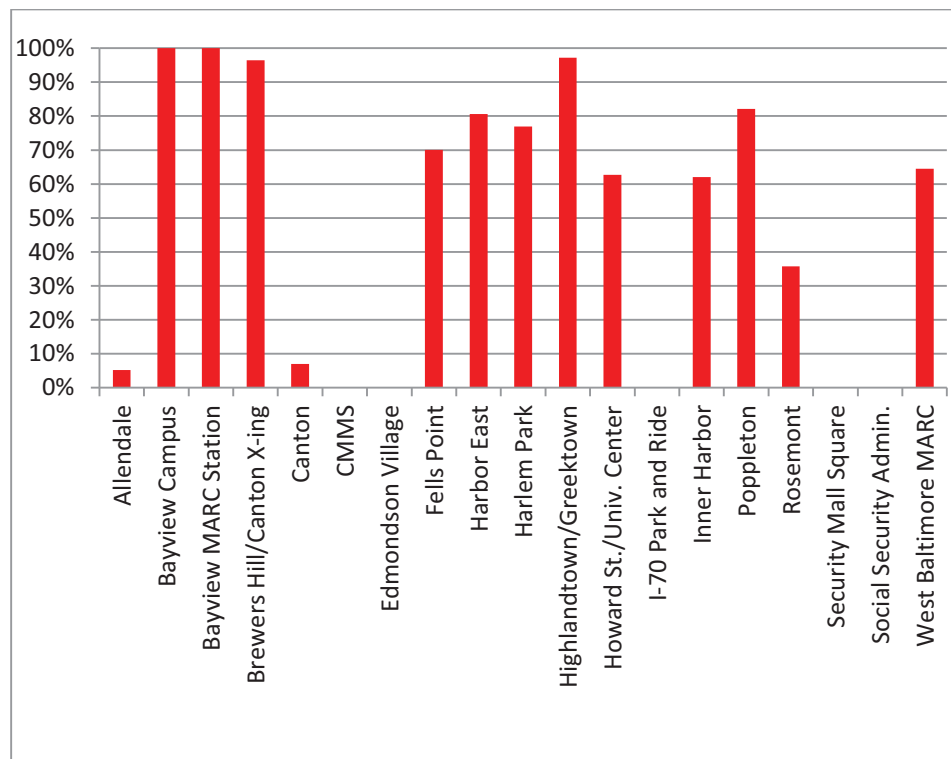


Figure 19: Percentage of impoverished and cost burdened residents per station area

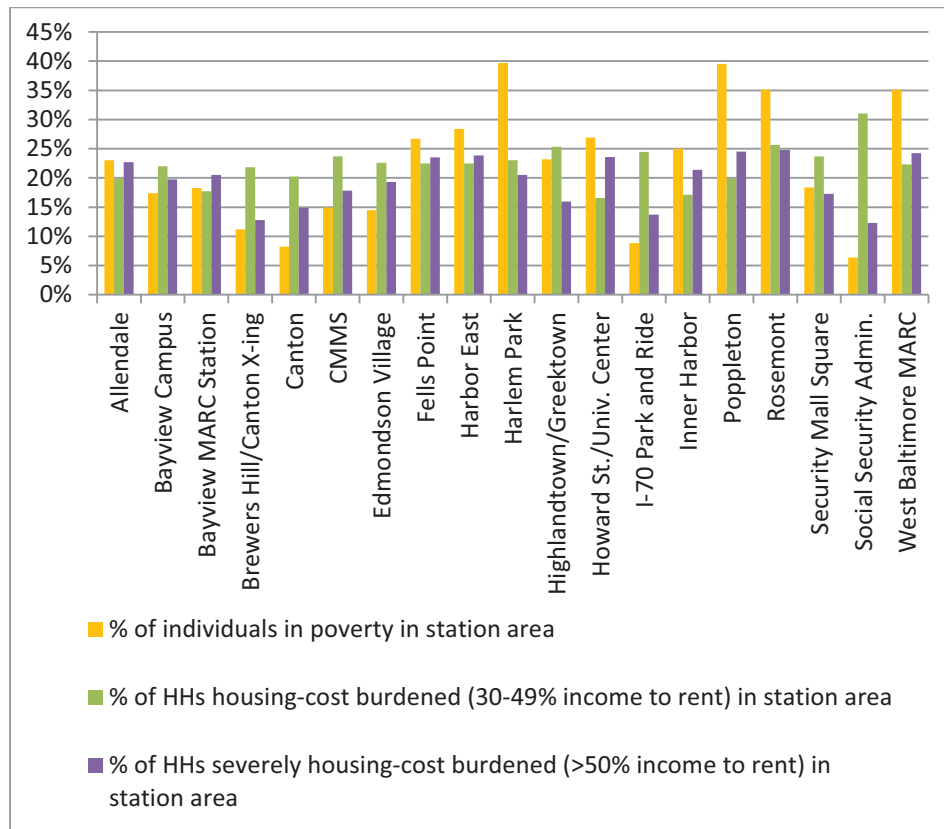
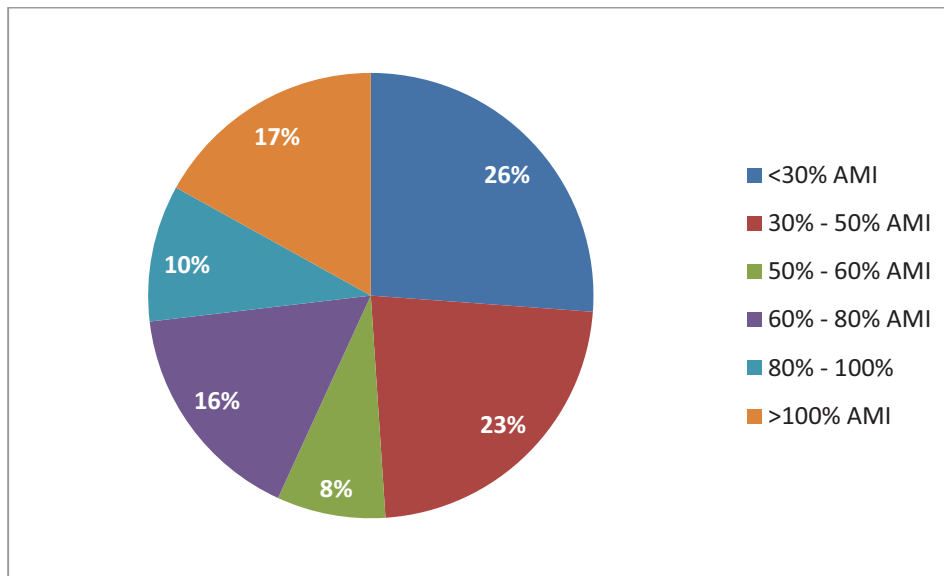
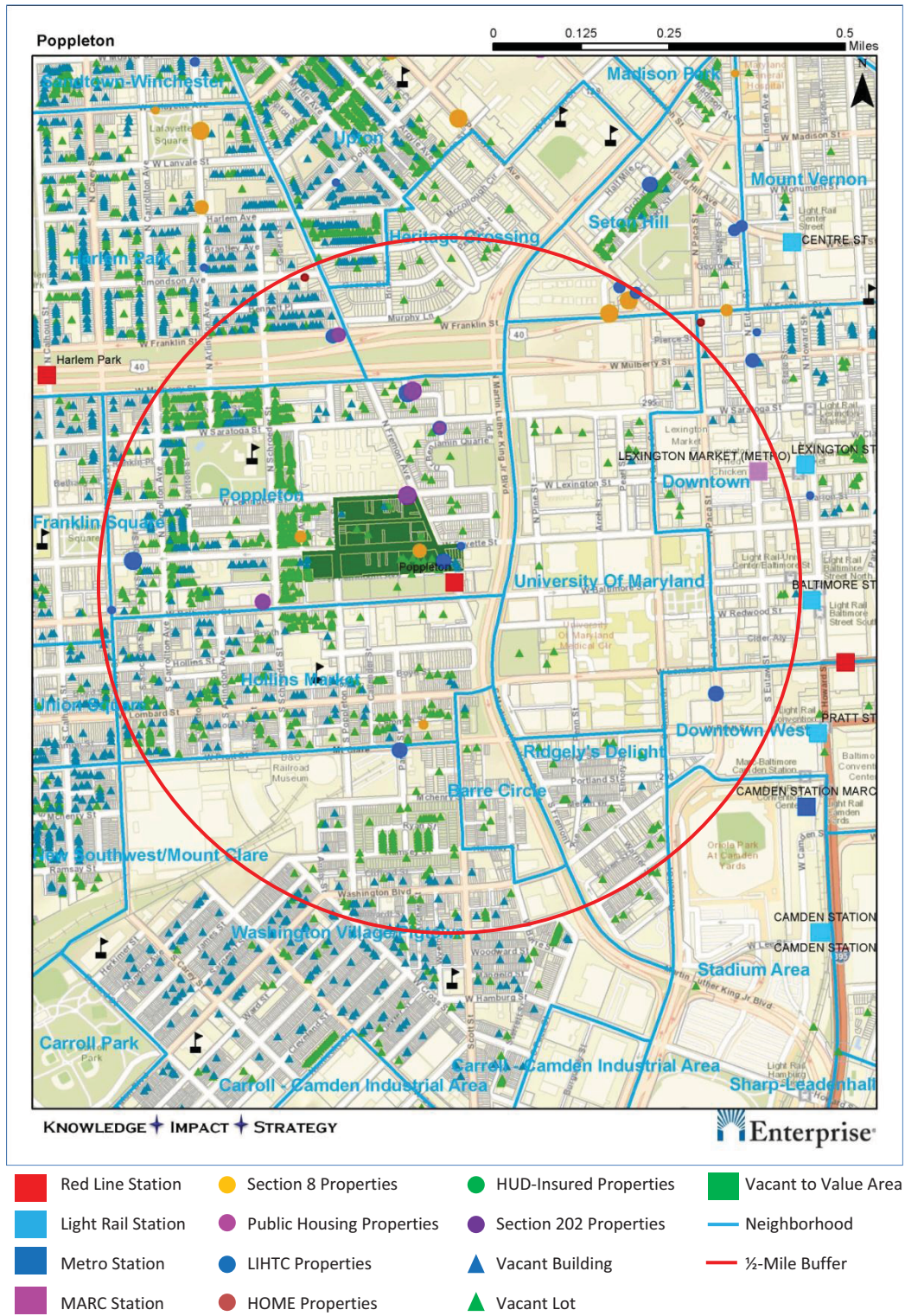


Figure 20: Percentage of residents per area median income (AMI) in the Allendale Station area



Station Area Mapping

Figure 21: Map of Poppleton Station area noting housing with long-term affordability restrictions⁷⁰



⁷⁰ Enterprise staff can produce similar or other detailed maps for each station area upon request.

Recommendations and Next Steps

Enterprise can have significant impact in developing and organizing actors to implement a regional vision for sustainable, equitable transit oriented development. Given its history in the area and robust partnerships here, we can bring a variety of stakeholders to the table to improve the delivery of transit-oriented affordable housing in the region over the next decade. Baltimore will become a model for sustainable, equitable TOD.

While Enterprise does not presently forecast a need for a dedicated ETOD fund for affordable-housing acquisition along the red line, we think that further case making and analysis is warranted. Enterprise is uniquely positioned to collaborate with existing and new partners alike to envision and realize gains in transit-oriented affordable housing over the next decade.

Based on our research to date, Enterprise recommends the following role for our Mid-Atlantic Market office to promote and advance ETOD in the Baltimore region:

Regional Goal

Advance and encourage ETOD as a regional goal through Opportunity Collaborative.

Enterprise is one of 25 consortium members working to create a Regional Plan for Sustainable Development to guide the region in its goals and priorities related to housing, transportation, workforce, and the environment. The Opportunity Collaborative has a unique opportunity to guide regional planning, goals and coordination.

Performance/Impact Measure(s):

- *Enterprise will remain an active participant in the Opportunity Collaborative Housing Committee. As the Regional Housing Plan is finalized and released in the fall of 2014 and as a member of the Committee, Enterprise will provide recommendations and assistance in shaping the Plan as a response to the Regional Analysis of Impediments to Fair Housing Choice. Enterprise will look to incorporate feedback from our interviews with affordable-housing developers into the Regional Housing Plan, where applicable.*
- *Enterprise will actively participate in the Opportunity Collaborative Financial Strategy and Implementation Subcommittee.*

Connect Developers to Regional Planning

Engage more affordable-housing developers in the regional planning process, where relevant.

Several of the affordable-housing developers that we spoke with were not aware or involved with the Opportunity Collaborative efforts. Though not intentional, not including their voice and experience in the Regional Housing Plan process is concerning to us. Enterprise will serve as a convener of development partners to more actively engage them in the Regional Housing Planning process.

Performance/Impact Measure(s):

- *Enterprise will help to garner feedback on the Housing plan from the developer and CDFI community. Enterprise will propose co-hosting a Regional Housing Plan discussion with another regional organization, such as the Maryland Affordable Housing Coalition (MAHC), to inform and collect recommendations from high-capacity affordable-housing developers in the region.*

Cross-Sector Advocacy and Research

Advocate and engage across sectors with key partners in broader community development initiatives to improve the quality of the region's transit service, economic development, public safety, and public education.

Like many regions across the country, the Baltimore region struggles to adequately promote and advance ETOD because it lacks a robust transit system and faces complex neighborhood disinvestment in several areas of the city. Similarly, many of the region's job centers often reside in areas without rapid transit access, reducing the demand for transit-accessible housing. It is in the best interest of Enterprise and the partners and communities we serve to advocate for creating more communities of opportunity for existing and new housing investment.

Performance/Impact Measure(s):

- *Promote investment in existing and expanded transit networks in the Baltimore region and State of Maryland by serving as a steering committee member of the Central Maryland Transportation Alliance. Draw on housing experience and investment across the state to provide cross sector advocacy to the transportation sector.*
- *Support up-to-date research efforts, specifically:*
 - *Support the potential update of CMTA's TOD Typology;*
 - *Work with partners to quantify the low- and moderate-income households (rental and homeownership) along the Red Line corridor and existing transit stations.*
 - *Determine a Scope of Work and identify resources to complete a comprehensive Mixed-Income Red Line Strategy (at a few identified stations or the entire corridor). Consider opportunity for housing preservation working group to monitor regional inventory of affordable housing, similar to working groups in D.C.*
 - *Consider opportunity for housing preservation working group to monitor regional inventory of affordable housing, similar to working groups in D.C.*

Support Strong Development Partners

Provide dedicated technical assistance to non- and for-profit affordable-housing developers producing or preserving housing in transit-rich areas and provide dedicated grant resources to organizations embarking on catalytic ETOD projects.

Through our local and national staff members, Enterprise will continue to provide technical assistance and financial support to our partners leading housing production and preservation across the region and state. Enterprise annually allocates HUD Section 4 Capacity Building Funding to community development corporations (CDCs) and community housing development organizations (CHDOs). Enterprise will dedicate at least one \$25,000 pre-development grant to a CDC or CHDO in Baltimore to advance an ETOD project. Enterprise will also work to raise additional philanthropic and public resources that can leverage these HUD resources and provide additional catalytic predevelopment for ETOD projects.

Performance/Impact Measure(s):

- *Provide on-going technical assistance and financing to non-profit and for-profit developers.*
- *Dedicate at least one \$25,000 capacity building grant towards catalytic predevelopment ETOD projects in the Baltimore and Washington DC regions (one in each region) and encourage partner organizations to apply for competitive HUD funding in future funding cycles. Share any lessons learned with other partners in the region.*

Deepen Partnerships to Align ETOD Resources

Explore new partnerships with public- and private-sector partners to support ETOD.

Our interviews highlighted some disconnect between local and state community development programs and funding, regional re-investment goals and strategies, and for- and non-profit developers' needs. Given Enterprise's history of partnering with community development organizations in Greater Baltimore, we are well positioned to initiate conversations between these public- and private-sector stakeholders as needs and solutions evolve.

Performance/Impact Measure(s):

- *Stay engaged with BIP, potential TOD working group and State Investment Fund to monitor further engagement opportunities.*

Refine Case Statement for ETOD Fund and Strategy

Engage with partners regularly (at least quarterly in 2014) to track opportunities and demand for a regional or state-wide fund for affordable housing near transit, but do not quarterback its creation at this time.

None of the stakeholder interviews with affordable-housing developers supported the need for additional acquisition capital for ETOD projects. Instead, many consistently expressed a need for more pre-development financing, assistance in land assembly, and patient land holdings. Moreover, they frequently noted Baltimore Housing as a welcomed partner in this process. Given the supply of publicly-owned land and property, several developers have worked with the City of Baltimore to jointly develop these sites. Assessing future supply of public land near transit stations and engaging with Baltimore Housing to discuss more partnership opportunities would be a prudent next step. Adequate preliminary

planning has been completed along the corridor, but stakeholders noted a lack of deeper, financial analysis to assess and, hopefully, catalyze mixed-income development opportunities.

Given Enterprise's Mid-Atlantic market footprint, it is well positioned to play a unique role in state-wide ETOD solutions, in both the Baltimore and Washington, D.C., regions.

Performance/Impact Measure(s):

- *Host a brainstorming session with three to four high capacity developers to discuss redevelopment opportunities at two station areas (addressing in more details financial barriers, if any).*
- *Draft a scope of work for a financial and market feasibility study at 3-4 station areas, including analysis of utilizing TIF and other available financial sources (public and private). Solicit input on scope of work from public and private partners. Identify consultant and resources to complete the study. Complete study and share findings.*
- *Engage on a quarterly basis with other partners exploring city, regional and/or state funds, such as the Maryland Sustainable Growth Commission (and consulting team Chris Leinberger and Paul Brophy) and BIP.*
- *If a stronger case emerges for a city, regional or state-wide fund, Enterprise will pursue playing a financial and programmatic role.*
- *Continue engagement in newly formed Purple Line Corridor Coalition (PLCC) and assist in planning March 2014 workshop. Actively look for opportunities to link findings from the PLCC to strategies along the Red Line.*

Appendix

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Other Findings

Through our research process, there were several topic areas that we'd like to potentially explore in future iterations of this work. A full list of these items is below.

- Better quantify the need for affordable housing in the Baltimore region (i.e. the number of housing insecure households, the supply of quality rental options).
- Follow-up with authors of relevant reports (see below) that informed our work.
 - Central Maryland TOD Strategy: A Regional Action Plan for Transit-Centered Communities (July 2009);⁷¹ and
 - Homewood Community Partners Initiative A Call to Action, Findings and Recommendations (July 2012).⁷²
- Locate areas with existing high transit ridership and analyze expected transit ridership forecasts to support the development community.
- Review 2013 9 percent LIHTC awards to determine the impact of the QAP's preference for transit proximity.
- Further explore the relevancy of the Circulator on development patterns and accessibility for low- and moderate-income households.
- Review Downtown Partnership of Baltimore information on office to residential conversion activity and their impacts on affordable housing.

⁷¹ Central Maryland Transportation Alliance. *Central Maryland TOD Strategy: A Regional Action Plan for Transit-Centered Communities*. Jul. 2009.

⁷² McNeeley, Joseph B., *Homewood Community Partners Initiative: A Call to Action, Findings and Recommendations*. Jul. 2012.

Dates of Interviews and Interviewees

1. June 25, 2013: George Kleb, Bon Secours Baltimore Health System
2. June 25, 2013: Lisa Hodges, Oystertree
3. June 28, 2013: Michele Whelley, Central Maryland Transportation Alliance
4. July 2, 2013: Catherine Stokes, Telesis Corporation
5. July 2, 2013: Charlie Duff, Jubilee Baltimore
6. July 3, 2013: Andrew Vincent, AHC Inc. of Greater Baltimore
7. July 23, 2013: Lyn Farrow Collins, Baltimore Metropolitan Council
8. July 29, 2013: Brian O'Malley, Central Maryland Transportation Alliance
9. July 31, 2013: Donna Creedon, Mission First Housing Development Corporation
10. August 1, 2013: Donald Manekin, Seawall Development Corporation
11. August 1, 2013: Gerrit Knapp, National Center for Smart Growth Research and Education
12. August 8: Anne Sherrill, Baltimore Neighborhood Collaborative, and Kurt Sommer, Baltimore Integration Partnership (and November 22)
13. August 29, 2013: Dana Johnson, TRF
14. December 2, 2013: Chris Ryer, Southeast Community Development Corporation
15. December 2, 2013: Charlie Duff, Jubilee Baltimore
16. December 3, 2013: Members of the CMTA TOD Steering Committee
17. December 3, 2013: George Kleb, Bon Secours; Stacy Freed, Baltimore Housing; Danyell Diggs, Baltimore City DOT; Lisa Hodges, consultant
18. December 4, 2013: "Baltimore Affordable Housing/Transit Investment Discussion: Making the Case" initial convening at Annie E. Casey Foundation
19. Fall 2013: Opportunity Collaborative Housing Committee members, including Patrick Maier, Innovative Housing Institute and Dan Pontius, Baltimore Metropolitan Council

Interview Guide

Introductions

Project Background: We are working on behalf of the Annie E. Casey Foundation to assemble information about affordable housing and transit-oriented development in the Baltimore region, to garner expectations for the future once transit expansion has been completed, and to assist in building financing mechanisms that would support the creation and preservation of affordable housing near transit.

There is a clear need for more affordable housing in Baltimore: In a city with more than 10 percent of the state's population and where median home values reach \$160,400, more than a quarter of residents earn less than 30 percent of the area median income (AMI). Together, housing and transportation consume about 60 percent of low income households' incomes; we believe that by addressing both together we can have more impact.

A municipal study found that neighborhoods around the Red Line could accommodate 3,000 units, and new zoning promotes neighborhood preservation, walkable communities, and TOD. In line with new local laws, the state recently passed legislation that designates TODs as valid transportation uses for public funds of land.

Enterprise: Are you familiar with Enterprise Community Partners?

One of our primary goals is to find innovative financing solutions and implement policies that will create and preserve affordable housing in current and future transit corridors. We are actively engaged in these efforts in Atlanta, the Bay Area, Chicago, Cleveland, Denver, LA, Seattle, and Washington, D.C. In DC, Enterprise has pooled together over \$16 million in resources towards our GreenPATH Initiative – a DC regional effort to preserve existing affordable housing. We closed on two acquisition loans – 130 units at 2 sites - with grant capital used to buy-down the interest rate.

Melinda Pollack: My focus with Enterprise is transit-oriented development and policy efforts nationwide. Currently, I have a number of TOD projects in various stages in Denver, where the city and surrounding region is undergoing a massive transit overhaul and adding 122 miles of new commuter rail and light rail. I've also been very involved with creating the TOAH Fund in San Francisco.

Jessica Sorrell: I'm apart of our Mid-Atlantic Market Office, focused on Enterprise's partners and impact in MD, DC, and Northern VA. My focus with Enterprise is managing the day-to-day efforts of our transit-oriented preservation initiative locally.

John Hersey: Interning this summer with Enterprise focused on local and national TOD work. I'm currently getting my Master's in Real Estate Development from Univ. of MD.

Developer Specific

1. What type of development do you specialize in? (E.g., affordable/market-rate housing, mixed use.)
2. Have you ever undertaken a transit-oriented development project?
 - a. If yes, was it successful? What challenges did you encounter in Baltimore?
3. What income levels do your projects target?

4. What areas do you plan to target for development/investment over the next decade?
5. How do these locations correlate with current and expanding public transit?

Baltimore Region

6. Is there a foreseeable demand for housing near transit in the region?
7. Do you anticipate most of the development happening within city limits or in Baltimore County and/or surrounding suburban counties? Where exactly?
8. Are there particular proposed or existing stations (particularly along the Red Line) that would seem to be clear and potential sites for affordable-housing development? New or preservation/rehab or both?
9. Are developers planning ahead for future transit improvements and building in already determined Red Line areas?
10. Are there proposed or existing station sites that would not be amenable to future housing? Why?
11. Are there under-utilized parking lots or other vacant land parcels that could potentially serve as prime opportunities for housing near stations? Who owns them?
12. What is the trajectory for equitable development (a range of housing options) in the Baltimore region without intervention?
13. How is affordable housing primarily developed in the region today? With LIHTC? Tax Exempt Bonds? Local funding?
14. Our initial impressions/conversations have suggested the following. Would you agree?
15. Access to transit (often bus) is a huge factor in development locations.
16. Unsure if location to light rail or heavy rail plays as much of a price premium in Baltimore as it does in other markets like DC; the premium is more often for walking access to amenities and “good neighborhoods”. Sites can vary significantly block-by-block so that can be more important, though it’s changing.
17. Certain station areas should be prioritized:
 - a. West Baltimore MARC (Propose Red Line Station)
 - b. Highlandtown/Greektown (Propose Red Line Station)
 - c. The Baltimore County Stations along the Red Line (Security Square and 1-70 Park and Ride stations) (?)

DC Region (if applicable to the developer)

18. Similarly, we have heard from conversations that opportunities existing along the Purple Line Corridor, particularly College Park, Long Branch and Langley Park station areas? Would you agree? In your opinion, are there proposed or existing station sites that would be amenable to future housing or preservation of existing? Why?

Local Policies

19. Are there existing local policies that encourage affordable housing near transit that you're aware of? Or barriers? Any policy barriers?
20. Which City, County, or State policies should be considered when developing and financing affordable-housing projects near transit? Which could be irrelevant?
 - a. Housing Linkage Fee?
 - i. Linkage fees "link" other forms of development with a community's needs for affordable housing. Linkage fees are typically charged to developers and then spent on affordable-housing preservation or production through existing housing programs. Linkage fee ordinances are one way to leverage private markets to produce affordable housing, fund homeownership programs, or preserve existing affordable rental housing.
 - b. Inclusionary Housing Programs/Zoning?
 - c. Housing Trust Fund Ordinance?
 - d. Transit agency joint development?
 - e. New TOD-supportive legislation
 - f. Other policy tools that would be helpful?

Financing Gaps

21. What gaps, if any, do you presently experience or anticipate experiencing in the following areas, and what types of financing are you using at present or anticipate using in the future?
 - a. Predevelopment
 - b. Site control, negotiating for land lease, option, acquisition
 - c. Clean up
 - d. Infrastructure - horizontal
 - e. Infrastructure – vertical
 - f. Do you see yourself as a master developer? If so, what costs are associated beyond those noted so far, and how do you finance?
 - g. Construction
 - h. Permanent

******One way to think about financing gaps is what does it take to get the deal(s) done, and another is what would it take for you to take your deals to a higher level of commitment to offering opportunity for all – for some that means a higher level of affordability in housing, for others it means taking a commercial pad and allowing it to become a new library or health center, etc. In which of the areas above could we incent you to go to a higher level of "equity" in your developments? What types of terms, rates, etc would be catalytic for you?

Additional details depending on discussion

22. Duration of capital
23. Debt vs. equity
24. Subordination

25. Level of guarantee

26. Rate

- a. Have you been involved in processes or proposals to create leveraged funds for Baltimore or the region? What perspective do you bring to this discussion as a result?
- b. What might a financing tool look like?
- c. What should I understand about Baltimore City or the region that you suspect I may not know?

Permanent Financing

27. Some communities are creating TOD funds to be better able to create alignment across a region. A fund that serves various uses can create better understanding and predictability for long term financing needs over the life of a corridor or system build out and beyond. Do you see need for that type of alignment in the region or do you have that already? How? Who?

- a. Baltimore relies heavily on the 9 percent LIHTC for permanent financing of affordable housing.
- b. Has lack of access to the 9 percent credit impacted your ability to create affordable housing near transit or do you anticipate that it will?
- c. Have you used the 4 percent credit?
- d. What would a gap filling product for the 4 percent credit need to look like in light of the loss of redevelopment?

28. What types of community or commercial facilities do you hope to develop? What gaps in existing for financing their development that we haven't yet covered?

Master Broker v. Master Borrower

29. Resources created to date in other regions have a mix of borrower structures – open to all who can underwrite vs. borrowers who serve as interim holders. Do you see your organization as a direct borrower for your own purposes, one who might borrow on behalf of others, etc? What are the positives and negatives of thinking about one or a few organizations that might play a master borrower/aligner role for the region?

Priority Alignment

30. TOD aims to leverage resources and create alignment, not steal from one pot to cover another new priority. That said, what do we need to be cautious of?

Potential Barriers

31. Which of the below issues would you say are the most important barriers to consider in partaking upon affordable housing in transit areas? Which are the least important?

- a. Quality and perceived safety of the stations
- b. Availability
- c. Overhang of foreclosures
- d. Land accessibility
- e. Free land
- f. Subsidies

- g. Preservation of inventory

Conclusion

- 32. How would you like us to follow up with you in the future?